Rising yen

Japanese currency scales new heights

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Italian corruption

Amato's cabinet fights for survival

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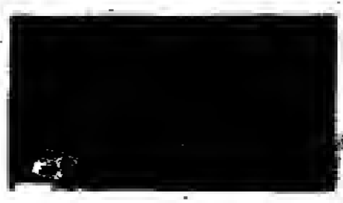

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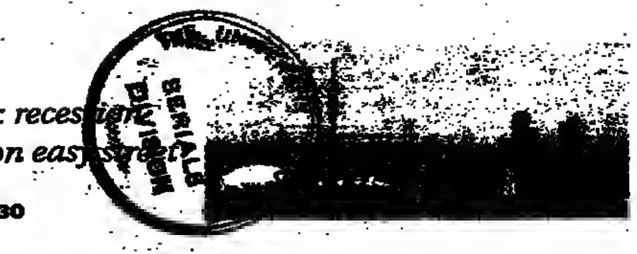

FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY FEBRUARY 23 1993 — D8523A

UN to establish Yugoslav war crimes tribunal

The United Nations security council decided to establish an international court to try those accused of war crimes since 1991 in former Yugoslavia. It would be the first such court since the Nuremberg and Tokyo tribunals tried Nazi and Japanese war criminals at the end of the second world war. Page 18

Clinton targets Japan over trade surplus: US president Bill Clinton singled out Japan over its trade surplus, saying he would continue to press Tokyo to open its markets to foreign goods. "It is the only nation with which we have a persistent and unchanging structural deficit," Mr Clinton told employees of Silicon Graphics in San José, California. Page 18; Health reform may trigger further tax rise; Page 5; Major treads softly in special new relationship, Page 5

US links Peru aid to human rights: The Clinton administration is delaying a multinational financial support package for Peru because of dissatisfaction with the country's human rights record. Page 18

Solutions for UN cash crisis: An international panel of experts recommended reforms aimed at resolving the United Nations' chronic financial crisis, due largely to member states' failure to pay contributions on time. Page 18

Denmark cuts discount rate: Denmark's central bank, lowered the official discount rate by a full point to 10.5 per cent. In Madrid, however, pressure on the Spanish peseta raised fears that the Spanish authorities might today reverse their quarter-point interest rate cut of 10 days ago. Page 2

EC procurement row with US: The EC hit back at "misleading" US allegations that the Community is restricting US companies' access to public procurement contracts. Page 3

Japanese carmakers raise US prices: Several Japanese carmakers have unexpectedly raised prices in the US in an apparent effort to head off protectionist pressure building against them. Page 3

Astra advances 50%: Astra, Sweden's leading pharmaceuticals group, saw 1992 pre-tax profits rise 50 per cent to SKr5.12bn ($678m) from SKr3.41bn, after strong sales growth and one-off currency gains. Page 19; Markets, Back Page

Norsk Hydro: A change in accounting principles allowed Norway's biggest stock-listed company to return to a net profit of NKr1.76bn ($253.6m) in 1992 from a loss of NKr898m a year earlier. Page 19

RTZ Corporation, the world's biggest mining company, is adding to its US interests with the acquisition of Cordero Mining from Sun Company, the US oil and gas group, for $120.5m. Page 19

Irish DEC plant to stay open: The Republic of Ireland has apparently averted closure of a Digital Equipment Corporation computer manufacturing plant in Galway, after a high-level Irish government delegation met in the US with top Digital executives. Page 6

Poland seeks support for reforms: The Polish government signed an "enterprise pact" with trade unions and employers in an attempt to bolster faltering shop-floor support for the country's free market reforms. Page 2

S Korean prime minister named: Hwang In-Sung, former general, cabinet minister and corporate executive, was appointed South Korean prime minister by the country's president-elect, Kim Young-sam, who will be inaugurated this week. Page 4

Cuban elections: Cubans vote tomorrow for national and provincial legislators for the first time since President Fidel Castro took power in 1959. Page 5

Frozen embryos ruling: A divorced US woman seeking legal control over seven frozen embryos conceived in-vitro with her former husband had her appeal rejected by the US Supreme Court.

Late chess move: A late British bid to host the World Chess Championship match between champion Gary Kasparov and British challenger Nigel Short was announced last night by Channel 4, independent television station, and a sports management agency.

■ STOCK MARKET INDICES		
FT-SE 100:	2,836.3	(-1.7)
Yield	4.25	
FT-SE Eurotrack 100	1,132.76	(-3.84)
FT-A All-Share	1,386.96	(-0.0%)
Nikkei	16,828.81	(-189.42)
New York: lunchtime		
Dow Jones Ind Ave	3,326.24	(+4.06)
S&P Composite	434.24	(+0.02)

■ US LUNCHTIME RATES	
Federal Funds	3%
3-mo Treas Bills: Yld	3.002%
Long Bond	101½
Yield	6.995%

■ LONDON MONEY		
3-mo Interbank	6¼%	(Same)
Liffe long gilt future:	Mar 103⅞	(Mar 103¼)

■ NORTH SEA OIL (Argus)		
Brent 15-day April	$18.59	(18.25)

■ Gold		
New York Comex (April)	$329.1	(331.0)
London	$330.75	(330.25)

■ STERLING		
New York lunchtime:		
$	1.454	
London:		
$	1.45545	(1.453)
DM	2.37	(2.3775)
FFr	8.04	(8.05)
SFr	2.1825	(2.19)
Y	169.25	(173.0)
£ Index	77.2	(77.4)

■ DOLLAR		
New York lunchtime:		
DM	1.62795	
FFr	5.523	
SFr	1.4985	
Y	116.385	
London:		
DM	1.6285	(1.636)
FFr	5.525	(5.54)
SFr	1.5	(1.508)
Y	116.35	(119.1)
$ Index	65.9	(66.3)
Tokyo close Y 116.85		

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft192	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	India	Rs40	Neth	Fl 3.75	Slovak Rp	Kcs45
Cyprus	C£1.00	Indonesia	Rp3600	Nigeria	Naira20	Spain	Pta200
Czech Rp	Kcs45	Israel	Shk5.90	Norway	NKr16.00	Sweden	SKr15
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.20
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Syria	S£50.00
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Thailand	Bht50
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Esc215	Turkey	L7000
						UAE	Dh11.00

Police hold Fiat chiefs for alleged corruption

By Robert Graham in Rome

ITALY'S business community was shaken yesterday by the arrests of two top Fiat executives on charges of alleged corruption and illegal financing of political parties.

Those arrested were Mr Francesco Paolo Mattioli, chief financial officer of the Fiat group and Mr Antonio Mosconi, chief executive of the Turin automotive group's insurance arm, Toro.

Mr Mattioli, aged 53, is a key figure in the new management structure being devised by Mr Giovanni Agnelli against the latter's projected departure from the chairmanship of the group next year.

A Fiat statement said the group had learned of the arrests with "amazement". The company offered them its full support and said the two executives had always carried out their jobs with the utmost rectitude.

Fiat shares, which have been rising strongly in the past two weeks, fell nearly 1 per cent on the news. The lira also slipped to a new historic low against the D-Mark of L964. Earlier the lira had begun to recover from Friday's slide in a favourable response to the Sunday reshuffle of the Amato cabinet.

The two Fiat executives were arrested at their Turin homes. Carabinieri police also searched their offices in Fiat's Turin headquarters.

The arrests relate to alleged illegal payments of L1.8bn ($1.16m) made during the construction of the Milan metro in which Fiat's construction arm, Cogefar-Impresit, was involved. Last May Mr Enzo Papi, the chief executive of Cogefar-Impresit, was arrested on a similar charge.

Two other Fiat group executives were subsequently arrested on the same allegations – Mr Giancarlo Cozza, managing director of Fiat-Saviglianc and Mr Luigi Capriotti, manager of Fiat-Iveco.

In one of his roles within the Fiat group, Mr Mosconi was president of Cogefar-Impresit. Before recently taking over running Toro, he was vice-president in the latter company.

Mr Mattioli has been with Fiat since 1975 and last November, when the management was split into two broad divisions – industry and industrial development, and financial control and resource management – he was given was the newly created position of chief financial officer.

Their arrests followed renewed interrogation of Mr Papi and Mr Maurizio Prada, former head of the Milan Christian Democrat party charged with alleged illicit collection of party funds.

At 10 least prominent industrial and financial figures are now caught up in the ever widening investigation into corruption by Milan magistrates.

Yesterday Mr Mr Mariano del Papa, the managing director of the Anas, the state road building authority, formally resigned following notice that he was under investigation for alleged corruption in handling contracts.

Yesterday, the small Republican party, which has promoted itself as the party of clean government, was recovering from the blow of the arrest on Sunday of Mr Giorgio Medre, a former member of parliament and until recently head of their political department.

Italian prime minister Mr Giuliano Amato's ambition to use the enforced resignation of his health and finance ministers to carry out a broad reshaping of the government was opposed by his Christian Democrat partners in the four-party coalition, and the refusal of other parties outside the government to join in. As a result he was obliged to carry out a lesser game of musical chairs – swapping portfolios and bringing in three new faces. Page 2

Shell shares slip on big currency losses at Japanese arm

By Deborah Hargreaves in London

SHARES in Shell Transport, the UK arm of the Royal Dutch/Shell group, slipped 6p yesterday to 575p. This followed weekend disclosures that Shell would take a £131m ($186m) charge against its fourth quarter results to cover huge currency losses at a Japanese associate company.

Some City investors were concerned that the currency losses come at a time when Shell's core businesses in chemicals and European oil refining are also under pressure from recession, low oil prices and over-capacity.

Shell is still expected to announce on Thursday a slight increase in profits for last year, with most analysts estimating income of around £3bn, compared with £2.9bn in 1991.

The currency loss of $1.05bn incurred by Showa Shell Sekiyu, a Japanese refining subsidiary which is 50 per cent owned by Shell, was made in breach of company rules that forbid speculation on the money markets.

An investigation into the currency dealings which were unknown to the company's management and to the Shell representative on the board, is under way and Shell said the necessary disciplinary procedures would be followed. Mr Fergus MacLeod, oil analyst at NatWest Securities in Edinburgh, said: "This is the flip side of the company's decentralised management structure which enables it to react much more quickly to opportunities but which also makes it difficult to maintain management control."

City of London analysts say that while the incident is embarrassing for Shell, it will not have a big financial impact. Ironically, it was only last year that Shell began to consolidate income from Showa Shell on to its balance sheet. Until then, it had taken only dividend income from the subsidiary, which gives the group no liability for currency losses.

Shell said the net charge of £131m to its full-year results would be offset by a credit of £149m from consolidating Showa Shell into group results. But investors say that three-quarters of this credit has already been accounted for. "There is some concern that Shell can't afford too many of these hits as the dividend is covered only 1.2 times now," said one investor.

Lex, Page 18
Futures shock, Page 22

French fishermen protesting against cheap imports destroy cases of crab at the port of Roscoff

France asks EC to curb fish imports as Bretons protest

By David Buchan in Paris and David Gardner in Brussels

THE FRENCH government yesterday called on the EC to curb the surge of cheap fish imports which has caused a rising tide of complaints and protests in Brittany, the country's main fishing region.

As several small Breton ports were closed yesterday afternoon in sympathy with their fishermen, Mr Charles Josselin, the French secretary of state for maritime affairs, pressed the case for EC import restrictions with Mr Jacques Delors. The European Commission president was in the Breton city of Lorient to support the re-election as mayor of one of his fellow Socialists.

France wants the Commission to invoke a Gatt safeguard clause and block fish imports temporarily, or to set a minimum price for such imports. "We only want Brussels to help restore order to the market", said a spokesman for Mr Josselin.

Following a meeting with industry representatives yesterday the EC looked set to fix minimum import prices on white fish coming into the Community.

European Commission fisheries officials said such emergency safeguard measures would be in line with the EC fisheries regime, and compatible with international trade rules.

The Commission was also in contact with the ambassadors to the EC of Russia, Poland, Iceland and Norway – the main sources of the cheap fish which are depressing prices by up to 30 per cent – to underline the "sensitivity" of the problem, the officials said.

A final decision on import prices is expected tomorrow at an earlier than expected meeting of the EC management committee dealing with the fisheries market.

Earlier yesterday Mr Josselin met fishermen's representatives in Rennes to explain his plan to give them FFr272m ($48.4m) in subsidised loans and emergency aid. The national aid scheme was "well received", claimed Mr Josselin's spokesman. But a fishing industry representative in Concarneau criticised Mr Josselin for not going far enough in giving fishermen six months to pay social security charges. If there was no pick-up in the market, which has this year seen fish prices drop 30 per cent from their 1992 average, "we won't be able to pay the charges in six months' time", the industry official said.

Concarneau joined the ports of Douarnenez and Le Guilvinec in a concerted shut-down yesterday afternoon. Its shops and public facilities closed in sympathy with the fishermen, who number 2,500 of its 19,000 population. Half France's total fishing fleet, comprising 18,000 men on some 4,000 boats, is based in Brittany, a region which surprised many observers by voting in favour of the Maastricht treaty.

The targets of Breton displeasure also lie inside the Community. Over the weekend, Breton fishermen in Roscoff ransacked a warehouse of imported fish and frightened British truck drivers into landing their fish elsewhere.

Rail chaos, Page 3

Daf truck managers plan UK buy-out

By Kevin Done in London and Ronald van de Krol in Eindhoven

A MANAGEMENT team at the British Leyland Daf truck plant is preparing a management-led buy-out of the threatened truck assembly operations.

The three-man team is being led by Mr John Gilchrist, managing director, and is being advised by Coopars and Lybrand, the accountancy firm.

The proposal for the management buy-out is still at an early stage, and Mr Gilchrist warned yesterday that its eventual success would depend on the Leyland plant receiving a contract to supply its range of UK-built Daf 45 light trucks to newly-formed Daf Trucks in the Netherlands.

It is understood that separate preliminary talks are also being held by the administrative receivers for Leyland Daf with Paccar, the US truck maker, about a possible takeover or acquisition of a stake in the Leyland plant.

Truck production waa restarted yesterday at the UK plant at Leyland in Lancashire for the first time since Leyland Daf went into receivership tbree weeks ago. The workforce has already been reduced to 1,346 from 2,114 before the company collapsed.

Final negotiations took place in Paris last night between the UK receivers and Renault over the future of the Birmingham-based Excel van project for the development of a van range to be launched in the mid-1990s.

Renault is axpected to announce today that it will press ahead alone with the project after agreeing a sub-contract arrangement with the UK receivers for the services of around 190 Leyland Daf engineering staff at the Birmingham van plant.

Agreement has been reached for Renault to take over all the industrial property rights for the new van range, which began originally as a joint development project between Daf and the French vehicle maker in 1990.

Renault will continue its urgent search for a new partner to share the burden of the development costs of the new range which is due to replace the Renault Master and part of the Renault Trafic range.

Volkswagan of Germany,

Continued on Page 18

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NEWS: EUROPE

Pay talks deadlock in east Germany

By Judy Dempsey in Berlin

ARBITRATION talks between Gesamtmetall, the engineering employers association, and IG Metall, Germany's engineering union, yesterday broke down in the east German state of Mecklenburg-western Pomerania.

The collapse of the talks, which follows a similar pattern in the four other east German states, now means that IG Metall will have to decide which steps to take in its demand for a wage increase of 26 per cent for its members in eastern Germany.

As expected, Gesamtmetall insisted that it could not afford such a rise, and offered a 9 per cent increase. IG Metall said Gesamtmetall was effectively breaking the contract agreed in March 1991 which would bring wages up to the level of their west German counterparts by April 1994.

East German wages in the engineering sector are currently 70 per cent of west German levels. Gesamtmetall officials yesterday said the wage increase would reflect the lower productivity levels, and income parity should perhaps be phased in gradually, even beyond 1994.

IG Metall, fearing that if it makes a substantial compromise it will undermine Germany's centralised wage bargaining system, now has three options. It can now go to the courts and prove that Gesamtmetall has broken the contract, it can ask its members to approach the courts individually if they do not receive the 26 per cent pay rise on April 1, when it was due, or it can call a strike.

But a trend towards lower wage settlements in other sectors of the economy does not bode well. IG Metall membership of 300,000 could shrink further, particularly since more than half work in industries still held by the Treuhand, the agency overseeing the privatisation of east German industry.

IG Chemie, which yesterday opened arbitration talks in Berlin, may be prepared to settle for as low as 8 per cent. AVOC, the employer's association, yesterday offered the union's 80,000 members 7.5 per cent, effective from May, but with no back-date between January and April. But IG Chemie said this represented an annual pay increase of 6.5 per cent, which it sharply criticised. These talks are still continuing.

Britain rejects E Bosnia airdrop

By Robert Mauthner in London and Laura Silber in Belgrade

BRITAIN said yesterday it would not take part in an airdrop of supplies to blockaded Moslems in eastern Bosnia, but was not opposed to the US doing so.

Foreign Office officials in London said the US administration had not been in touch with Britain on reported US plans to parachute supplies to eastern Bosnia. Nor did it seem certain that Washington was on the point of taking such a decision.

"However, we have no problem with an operation of this kind if they want to go ahead with it," a spokesman said.

The lack of British enthusiasm for an airdrop is based on the advice of defence officials that it would be dangerous and was unlikely to be effective in the mountainous regions of eastern Bosnia.

By contrast, the officials [illegible]sed that Britain was taking [illegible] active part in joint du[illegible] for a large-scale Sim[illegible] of ground troops in yeste[illegible] to enforce a peace pliting [illegible] if and when such last month [illegible] is reached. Pierre Bére[illegible] peace-keeping ter, slipped [illegible] operation per cent in [illegible] the UN flag, it [illegible] raised mainly by [illegible] ministers are to [illegible] for such a [illegible] Friday. UN yester[illegible] lift to Sara[illegible] agreed [illegible] throughout [illegible] unilat[illegible] ced at [illegible] sident Bosnia [illegible] in [illegible] nian

Editorial [illegible]

World Weather

Ajaccio	C	11	52
Algiers	S	15	59
Amsterdam	C	5	41
Athens	C	9	48
Bahrain	F	22	72
Bangkok	F	34	93
Barcelona	S	12	54
Beijing	S	3	37
Beirut	F	16	61
Belfast	C	8	46
Belgrade	F	4	39
Berlin	C	0	32
Biarritz	Dr	9	48
Bombay	S	26	82
Bordeaux	C	10	50

Signal in Italy's game of musical chairs

Prime Minister Amato's limited cabinet reshuffle may still help his credibility, writes Robert Graham

THE weekend reshuffle of the Italian cabinet is a classic example of the time-worn dictum that politics is the art of the possible.

Mr Giuliano Amato, the prime minister, wanted to use the opportunity presented by the enforced resignation of his health and finance ministers to carry out a broad reshaping of the government. However, the Socialist prime minister came up against the firm opposition of the Christian Democrat leadership, the dominant partners in the four-party coalition, and the refusal of other parties outside the government to join in.

As a result he was obliged to carry out a lesser game of musical chairs – swapping portfolios and bringing in three new faces. Nevertheless, the new 25-person cabinet reflects Mr Amato's desire to press ahead with budgetary austerity and recover some of the lost momentum in the plans for privatisation. Meanwhile, the all-important issue of electoral reform and institutional change remains in the hands of the parliamentary parties.

Mr Amato had sought a cabinet shake-up as early as February 10, when Mr Claudio Martelli was forced to resign as the Socialist justice minister because of his alleged involvement in the corruption scandal. Although Mr Mino Martinazzoli, the Christian Democrat leader, gave the prime minister his full backing, he insisted on a mere replacement to Mr Martelli. Mr Amato then showed his independence by choosing a "technocrat" judge, Mr Giovanni Conso, instead of turning to the ranks of the Socialist party, who wished to see their balance of ministers retained.

Prime Minister Giuliano Amato (left) congratulates privatisation minister, Mr Paolo Baratta, as President Oscar Scalfaro looks on

Following Friday's resignations of the finance and health ministers, Mr Amato again floated the idea of a broad reshuffle to give new legitimacy to a cabinet tainted by corruption scandals. This was opposed by elements in his own Socialist party and by the Christian Democrats, afraid a big reshuffle would leave him with too much autonomy, allowing him to emerge as the country's uncontested leader. Mr Amato was seen as a servant of the party bosses when brought in last June.

But even without such autonomy, the government leader has managed to strengthen his economic team by switching Mr Franco Reviglio from the Budget to the Finance Ministry and bringing in Mr Beniamino Andreatta, the most distinguished economist in the Christian Democrat camp, to the Budget portfolio.

He has also finessed the refusal of Mr Giuseppe Guarino to leave the Industry Ministry where he was blocking privatisation, by appointing Mr Paolo Baratta, a technocrat banker, to a new portfolio specifically dealing with privatisation. Mr Amato has also done well to place the no-nonsense Liberal, Mr Raffaele Costa, in the Health Ministry, where his skills will be needed to sell reforms of the health and pension systems.

At a broader level the reshuffle has demonstrated that, no matter how much the Amato government has been weakened by the recent resignations and the accumulated effects of the corruption scandals sweeping the country, the political parties can see no immediate alternative. Indeed, this was the first reshuffle in the postwar era carried out with an eye on the financial markets. The discussions lasted little more than 24 hours and were complete by Sunday in order to present the markets with the outcome when they reopened.

This explicit recognition that government crises have to be resolved within hours, not the leisurely weeks of previous years, is an important change. The threat of a plunging lira and its consequent impact on inflation forced a solution.

The other lesson from the reshuffle centres on the gradual shift of power away from the party bosses. They have traditionally treated cabinets as their servants. Mr Amato remains beholden to the Christian Democrats, Socialists, Social Democrats and Liberals who comprise his coalition. But they also rely upon his credibility, his political skills and the backing he is being given by President Oscar Luigi Scalfaro.

The new cabinet now contains 10 people who are either technicians or only loosely affiliated to parties. No other Italian postwar cabinet has had such a non-political complexion. At a moment when the ruling parties have lost so much legitimacy as a result of the corruption scandals, Mr Amato is hoping this will help his credibility in the difficult days ahead.

Van Miert to crack down on state aid

By Andrew Hill in Brussels

MR Karel Van Miert, the EC competition commissioner, has warned that he will crack down on selfish state aid schemes aimed at protecting national industries from the recession.

Mr Van Miert told the European Parliament's economic and monetary committee on Friday that "common action at the Community level" was the best way to deal with member states' economic problems.

His comments, published yesterday, seemed to be aimed at member states preparing for Thursday's meeting of industry ministers, which will discuss the Commission's plans to support the EC steel industry.

Mr Van Miert warned in his speech that "beggar my neighbour" aid schemes would merely "export unemployment and push problems on to other member states", which would then retaliate with their own subsidies.

The Commission has made clear that national and Community steel subsidies will have to be accompanied by drastic cuts in capacity. But Commission officials are clearly worried that Spain, which is facing a deep political crisis if it fails to win EC support for subsidies, Germany and Italy may go ahead with unilateral aid if a co-operative plan fails.

Mr Van Miert also said he would not favour aggressive use of special Commission powers to open up national monopolies.

Amato recruits technocrats for economy posts

By Robert Graham

MR PAOLO BARATTA, as minister in charge of privatisation, joins Mr Piero Barucci, the Treasury minister, as the second professional banker recruited into the eight-month-old Amato government. While Mr Barucci is considered sympathetic to the Christian Democrats, Mr Baratta's sympathies have traditionally leaned towards the Socialist party.

An engineer trained at Milan polytechnic, the 53-year-old Mr Baratta went on to do a masters at the London School of Economics. He became a banker in 1977, joining the public works credit institute before it was absorbed by the larger state credit group, Crediop. He became head of Crediop in 1980 and ran it until the latter was transformed into a publicly quoted company last year. He then moved to manage the prestigious bank San Paolo di Torino.

He has extensive experience of the needs of both the public and private sector, and Mr Giuliano Amato, the prime minister, originally hoped he would assume the industry portfolio with a specific brief to speed up privatisation. When Mr Giuseppe Guarino refused to leave industry, he was given a newly created portfolio to deal with privatisation.

Although he will now have the full support of the prime minister and the three economics ministers, he faces a tough task outmanoeuvring Mr Guarino, who has the backing of many of the old guard in the Christian Democrat and Socialist parties.

After a break of 13 years, Mr Beniamino (Nino) Andreatta has returned to Italy's budget portfolio, enhanced since last June with responsibility for the *Mezzogiorno* (southern Italy).

This young-looking 65-year-old economics professor is one of the most outspoken and distinguished economists in Italy.

Although he has stayed aloof from political in-fighting, he has become an influential figure in trying to give a new identity to the Christian Democrats under the three-month-old leadership of Mr Mino Martinazzoli.

Born in Trento in northern Italy, he first studied law at Padua, before going to Cambridge to concentrate on economics. An avowed Keynesian, he held the economics chair at Bologna University. He became a senator in 1976. Under the government of Mr Francesco Cossiga in 1979, Mr Andreatta first took on the budget portfolio then the Treasury.

Since 1983 he was first a Christian Democrat MP, then a senator until he lost his seat in last year's elections.

With a reputation as someone who does not suffer fools gladly, he once denounced Mr Bettino Craxi, the former Socialist leader, as a national socialist bent on nationalisation.

Government tries to boost faltering support for reforms

Poles sign enterprise pact

By Christopher Bobinski in Warsaw

THE Polish government yesterday signed a tripartite "enterprise pact" with trade unions and employers in an attempt to bolster faltering shop-floor support for the country's free market reforms.

The government wants to speed privatisation while giving workers a say in management of private companies. The pact signed yesterday for the government by Mr Jacek Kuron, the labour minister, was first mooted last autumn.

It is also designed to ease tax burdens on state-owned enterprises and introduces the principle that macro-economic indicators are to be agreed in a national tripartite council composed of government officials, trade unionists and employers' representatives.

Mr Kuron said after signing the pact with Mr Marian Krzaklewski, head of the Solidarity trade union, and Mr Andrzej Machalski, head of an employers' group, that "the transformation of the economy without compromises" could end dangerously but that the signing of the pact meant that there would be "a major acceleration" of reforms.

Mr Kuron later signed the pact with the OPZZ trade unions representing the former pro-communist movement. The radical Solidarity 80 union was conspicuous by its absence.

Under the pact, which will be turned into legislation, workers are to be given six months to decide on the form of privatisation for their factory. If they fail to do so the Privatisation Ministry will be free to take the decision.

Workers are also to be given 10 per cent of the shares in their factories at privatisation, and financial conditions are to be eased in cases where employees take over a factory and lease the machinery and buildings from the state.

Workers are also to be represented on non-executive boards of directors and both private and state-sector plants employing more than 2,500 are to have at least one worker in top management to represent their interests. The pact includes the plan to restructure enterprise and bank debts for some 2,000 companies.

The pact also removes the dividend, an outdated profit tax on the state sector. It is replaced with an arrangement under which one third of company profits can be spent on wages as long as one third is spent on investment, and one third paid in corporate tax.

Danes cut discount rate

By Hilary Barnes in Copenhagen, Peter Bruce in Madrid and Peter Wise in Lisbon

DANSKE BANK, Denmark's central bank, yesterday lowered the official discount rate by a full point from 11.5 to 10.5 per cent.

The discount rate was raised by two points to 11.5 per cent on February 3 in order to stop speculation against the krone, which is part of the European Exchange Rate mechanism.

The central bank said that since the beginning of the month there had been a substantial return of capital to the country. Mrs Marianne Jelved, the economy minister, said the bank's decision "is clear documentation of the strength of the Danish economy", which has an inflation rate of only 1.4 per cent and a large surplus on the current balance of payments. In Madrid, however, pressure on the Spanish peseta raised fears that the Spanish authorities might today reverse their modest quarter-point interest rate cut of 10 days ago.

The central banks of Spain and Portugal intervened yesterday and late last week as the peseta and escudo came under pressure.

The peseta ended yesterday at 73 to the D-Mark, sharply down from 71.7 on Friday, dragging the escudo along with it. The Portuguese currency fell to 92.05 to the D-Mark from 91.47 on Friday.

Currency dealers in Madrid said the peseta had performed much worse than they had expected. Some believed speculation against the currency was such that the government might have to consider a third devaluation or even pulling the peseta out of the exchange rate mechanism. However, neither step appears likely at the moment.

The attack on the peseta, triggered by poor unemployment figures and uncertainty over the outcome of a general election to be held sometime this year, has left it roughly at the centre of its fluctuation band.

Madrid has made clear it will do its utmost to remain inside the ERM, and the government is preparing a fiscal package to help revitalise the economy. Details of this package are likely to be announced this week.

However the Bank of Spain may feel obliged to use its routine auction of certificates of deposit today to raise its official intervention rate. This was cut from 13.25 per cent to 13 per cent at the last auction. In the last few days, however, the central bank has forced overnight rates up to more than 16 per cent.

French politician Lecanuet dies at 72

FRENCH politician Jean Lecanuet, who forced General Charles de Gaulle into an embarrassing run-off in France's 1965 presidential elections, died yesterday after a long illness, Reuter reports from Paris. He was 72.

Mr Lecanuet stood against De Gaulle as a centre-right candidate, opposing the president's moves to take France out of the military structure of Nato, and bringing US-style advertising campaign methods to French politics for the first time. He received 15.6 per cent of the vote, forcing De Gaulle into a run-off with Mr François Mitterrand. Mr Lecanuet later allied himself to Mr Valéry Giscard d'Estaing, who rewarded him with the justice portfolio when he was elected president in 1974.

Mr Lecanuet remained a pro-European voice in the French senate in which he served for more than 30 years and was regarded as a particularly successful mayor of his home city of Rouen.

Lecanuet: US campaign style

Yeltsin warning for Russian forces

By John Lloyd in Moscow

MR BORIS YELTSIN, the Russian president, has warned the armed forces against being dragged into politics by "foul and irresponsible" groups.

His comments, in the army newspaper which still bears the Soviet name of Krasnaya Zvezda (Red Star), were made just before a demonstration expected in Moscow today by hardline communists and nationalists protesting against economic reform.

Today is Defence of the Fatherland day, formerly Soviet Armed Forces Day – no longer a holiday, but an occasion for military leaders to lay wreaths and make speeches.

So far, overt criticism of Mr Yeltsin from within the military has been limited to apparently small groups of hardline officers – one of which, the officers' union, is expected to take part in today's demonstrations.

However, the military remains disoriented, without a new doctrine and under pressure to leave former Soviet bases from the Baltics to Central Asia, without adequate quarters or provision in Russia on which to fall back.

Mr Yeltsin's warning comes as the political scene is again illuminated by the struggle between himself and Mr Ruslan Khasbulatov, the parliamentary speaker, over the powers wielded by each. The two men and their aides have exchanged a flow of insults over the past few days while ostensibly engaged in negotiation aimed at reaching a definition of the division of their constitutional powers preparatory to working out a new constitution.

● Mr Eduard Sheverdnadze, the Georgian leader, promised an "adequate" response to the bombing over the weekend of the Georgian-held town of Sukhumi by a Russian aircraft. The Russians say the bombing was carried out in retaliation for Georgian shelling of a Russian military laboratory.

Georgian forces have held Sukhumi, the capital of the breakaway province of Abkhazia, for the past few months against attacks by Abkhazian separatists whom they accuse of being aided by Russia.

Mr Shevardnadze, in a recent interview, said Mr Yeltsin was not personally responsible for the Russian aid to Abkhazia but blamed reactionary circles in the military and elsewhere for the supply of men and weapons to the anti-Georgian forces.

Birth of a hundred markets

Russian stock exchanges draw on popular trust, writes Leyla Boulton

RUSSIA'S first electronic trading-room opens for business next month in the headquarters of a former communist news agency in Moscow.

As part of the chaotic birth of a securities market, the central bank and Finance Ministry will inaugurate trading here with an unprecedented issue of treasury bills.

Meanwhile, the sale of some 6,500 state-owned enterprises this year as part of large-scale privatisation will generate a secondary share market.

In anticipation of this, the country already has 106 "stock exchanges" or stock-trading departments attached to existing commodity exchanges. But while the commodity exchanges trade everything from cars to sugar, the stock exchanges have had little to trade apart from shares issued by new commercial banks and insurance companies.

So far, just over Rbs8bn worth of shares have been made available in the privatisation process, compared to the total Rbs1,500bn which will be needed to honour all the privatisation vouchers distributed to Russia's 147m inhabitants. The vouchers can be exchanged for money or Rbs10,000 worth of shares at auctions, which started in December.

But the rules for what is going to be a high-risk game are being made up along the way. Long-awaited securities legislation will emerge only at the end of the year, after the government and central bank submit a draft law to a parliament notoriously slow in adopting economic legislation.

In the mean time, overworked officials are already having trouble enforcing makeshift instructions issued last year by the Finance Ministry.

By opting for quantity over quality in offering companies for sale, the government is exposing small investors to considerable risks which are not always underlined in the advertising. Mr Anatoly Chubais, the privatisation minister, argues that people have little to lose, as they received their voucher free of charge in the first place.

"The state is not promising people a happy life where they don't have to work any more... What we can guarantee to all is free choice and maximum information in helping them decide how to use their voucher."

In an attempt to spread the risks for ordinary people already wary of capitalism, the government has licensed some 300 investment funds, which will invest in a selection of enterprises for shareholders.

But despite a ban on the use of vouchers for anything other than privatised enterprises or licensed investment funds, other types of companies are already competing for vouchers with ads that have gone unprosecuted. The first tears were shed in St Petersburg last week, when 350,000 people discovered they had been defrauded of their vouchers by unlicensed investment companies, which have since disappeared without a trace.

Another obstacle to popular trust are debts contracted but not honoured by the country's previous Communist rulers. These include a 1990 cheque scheme promising peasants imported consumer goods in return for agricultural deliveries to the state.

Vowing to make good old debts, the government has promised to issue hard-currency bonds, paying 3 per cent a year, to clients of Vneshekonombank, the state bank, which in 1991 froze billions of dollars belonging to Russian and foreign companies.

There are few incentives for foreign investors to join the fray immediately. The first T-bill issue – described by one central bank official as "the first step in the marketisation of the state debt" – will be for Russian banks only, with foreigners to be allowed in later.

Despite Mr Chubais' desire to attract foreign investment, the purchase of shares in Russian companies remains virtually impossible for foreigners. He says this is because the central bank is still trying to introduce a special exchange rate to prevent foreigners from buying up assets on the cheap, thanks to a weak rouble. Some westerners complain that while there are legal ways to get round this requirement, the real problem is a lack of information on what companies are for sale.

Although there has been only a trickle of foreign capital, there has been a flood of foreign advice, some of it crucial, some a waste of time and money.

Mr Pyotr Lazarev, the bright 26-year-old who is the Finance Ministry's main expert on securities, says what is needed is "concrete assistance for specific projects" such as that offered by US banking experts for the treasury bill issue. Training is particularly important, both for officials to supervise markets, and for dealers to operate on them.

"Unfortunately, we still have experts trying to teach us what stocks and bonds are when we already have a securities market," he says. "It may not be much by western standards but it is a lot given the cosmic speed at which things are developing in Russia."

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NEWS: WORLD TRADE

Kantor: office leaked document

EC attacks US claims over procurement bids

By Andrew Hill in Brussels

THE EC yesterday hit back at "misleading" US allegations that the Community is restricting US companies' access to public procurement contracts.

A spokesman for Sir Leon Brittan, the EC trade commissioner, said that new single market legislation was opening up public procurement in the Community. He pointed ont that since new procurement rules for utilities came into force on January 1, 163 contracts had been advertised for tender in the EC's *Official Journal*.

A document leaked from the office of the US trade representative, now Mr Mickey Kantor, over the weekend claimed that hidding opportunities worth $16.8bn (£11.8bn) were offered to EC contractors under the Gatt government procurement code in 1990, compared with $7.8bn in EC contracts open to US operators.

The US tactics have escalated the dispute between the US and the EC over public procurement ahead of the next meeting of trade negotiators in Brussels, set for March 11. The US has threatened to ban EC companies from bidding for federal contracts if allegedly discriminatory EC procurement legislation is not abandoned before March 22.

EC negotiators said yesterday they were "baffled" by the appearance of the US document, which they said had not been part of last week's public procurement negotiations in Washington. "I can only suspect that the US has taken our numbers and added some of its own," said one EC official yesterday.

The officials admitted that, in absolute terms, the 1990 Gatt figures – the relevance of which the Community disputes – showed that the US was ahead. But they pointed out that between 1985 and 1990 the value of EC contracts open to competition increased by 104 per cent under the code, whereas the value of US contracts decreased by 30 per cent.

New legislation would continue that trend, they claimed.

The US is complaining that one of the laws – the directive covering the supply of equipment for ntilities – favours EC manufacturers of telecoms and electrical equipment. The Community in turn bas attacked "Buy America" legislation which it aaya gives US manufacturers even more preferential treatment.

The EC yesterday said tbe US claim that only $15bn of public procurement was covered by the Buy America laws was dnbions as the figure did not include lucrative transport and energy contracts, which gave a 25 per cent price preference to US companies, and demanded local content of between 50 and 60 per cent.

EC officials also emphasised that many US contracts called for 20 per cent of the work to go to US companies.

Brittan: contracts advertised

Japanese raise car prices in US

By Charles Leadbeater in Tokyo

SEVERAL Japanese carmakers bave unexpectedly raised prices in the US in an apparent effort to bead off protectionist pressure building up against them.

The recent Increases by Toyota, Nissan, Honda and Mazda were in addition to the normal price rises made when models are changed.

An executive at a leading carmaker said: "These increases were mainly political. We are better able to head off protectionism if we can polnt to recent price increases." He added that the surge in the yen migbt force furtber action but that the first round was not due to currency movement.

The Big Three US carmakers – Ford, General Motors and Chrysler – recently shelved plans to file an anti-dumping complaint against tbeir Japanese competitors.

Nissan increased the US price of its Infiniti luxury car range by 1.2 per cent in January, and most of tbe rest of its range by 1.1 per cent. The price of the Altima car went up by 1.5 per cent this month.

Honda, whicb lifted prices by just under 1 per cent in January, admitted tbe increases were not normal. Prices normally rise in September when models cbange. It said the recent price move had been caused by sales and manufacturing cost pressures.

Hooda said it would consider further price increases if the yen continued to rise. However, it expects the yen's climb over the past 10 days to be temporary.

Toyota increased car prices of its Lexus luxury brand and other models by 1.2 per cent this month, on top of its normal price increases in October. It blamed the move on rising costs and the yen's strength.

Mazda, which generally raises its prices in August or September, increased the price of its multi-purpose vehicles sold in the US by a further $500 in December.

Clinton keeps up aircraft pressure

By Nancy Dunne in Washington

PRESIDENT Bill Clinton yesterday went to Seattle, home of the Boeing aircraft company, to dramatise his concerns about the US aerospace and airline industriea, and, with Vice President Al Gore, to announce the administration's technology programme.

The visit also underscored the president's repeated assertion that US trade policy must play an integral part in economic policy. Boeing, which is planning to make 28,000 workers redundant, haa quietly been making known its "continued frustration" with Airbus, its European rival, and its "competitive practices".

That Mr Clinton had received the message was evident in his statement two weeks ago at a televised "town meeting". He set off alarms all over Europe when he fumed that he would not "roll over and play dead" over Airhus subsidies.

The president also mentioned his worries about the US aerospace industry in his State of the Union message.

The US and the EC reached a deal over subsidies last summer. However, Mr Mickey Kantor, US trade representative, said last week that it would be reviewed as part of a larger administration evaluation of trade issnes. This exercise might well produce a departure from current policies, he said.

Boeing officials, meanwhile, are angry about what they see is a new "aggressiveness" by Airbus in the North American market. They are complaining about "walk-away" or short-term leases being offered by Airbus. "This represents a huge cost being borne by a company which doesn't have to hear other burdens like development costs," a Boeing spokesman said.

UAL Corp, parent of United Airlines, recently announced an agreement with Airhus which would allow it to return leased jets at no cost for up to a year. Eastern Airlines received an Airbus lease "on very favourable terms", the Boeing spokesman said.

● German Chancellor Helmut Kohl yesterday said he was prepared to discuss the issue with President Clinton, Reuter reports from New Delhi. "What about subsidies they give their arms industry, among others?" he said at a news conference at the end of a four-day visit to India.

French rail chaos after protests

FRENCH farmers yesterday caused chaos after hlocking railway lines across the country in protest against the EC's agricultural reforms and its recent farm trade agreement with the US, writes Alice Rawsthorn in Paris.

The demonstrations, which coincide with a postal dispute and protests hy fishermen, come at a sensitive time for France's Socialist government, which is heading for a resounding defeat by the conservative coalition at next month's parliamentary elections.

The farmers' protest, which followed a call for a national day of action hy Co-ordination Rurale, one of the most powerful farm unions, was the most dramatic and widespread this year.

Militant farmers hegan blocking railway lines with barricades of tyres, agricultural produce and old agricultural equipment. Rush-hour train schedules were severely disrupted.

The worst affected areas were the rail rontes around Tours, Chartres, Orléans and Toulouse. However, farmers also disrupted some of the main lines in and out of Paris.

Brussels defies oilseeds threat

By David Gardner in Brussels

THE agreement settling the EC-US row over oilseeds subsidies will stay on the EC foreign ministers' agenda for March 8 despite a French threat to veto it, the European Commission said yesterday.

The French government, facing defeat at parliamentary elections next month, warned the Commission and Denmark – currently EC president – on Friday that it would try to veto the deal if it went to a vote.

• The five-year oilseeds dispute with the US was resolved in principle last November on terms much more favourable to the Community than had been expected, togetber witb long-running snbsidised food export rows holding up the Uruguay Round world trade reform talks.

"We're concerned that the longer [the draft accord] is left open, the more likely it is that the US will want to renegotiate it," said an aide to Mr Rene Steichen, EC agriculture commissioner.

The commissioner sees delivering the oilseeds accord as an indication of EC aupport for the separate Uruguay Round package, regarded hy EC farm policy-makers as vital to protect the reformed Common Agricultural Policy from challenge hy competitors.

Mr Steichen is taking a hard line in insisting the issue be kept on the agenda, but this does not mean it will be pushed to a vote. The aide conceded that a decision could be postponed until April 5, when foreign ministers meet again, eight days after the second round of the French elections.

Mr Pierre Bérégovoy, French prime minister, appeared to be invoking the "Luxemhourg compromise" allowing member states to claim overwhelming national interest, when he said his government "will oppose approval of such an agreement hy all means agreed between member states".

Major warning to US, Page 5

Big Seat plant opens

SEAT, Volkswagen's Spanish subsidiary, yesterday officially opened a Pta244bn (£1.4hn) manufacturing plant with a capacity of 1,500 units a day, writes Tom Burns in Madrid.

Mr Clive Griffiths, the plant manager and a former executive of Nissan's plant in Sunderland, England, helieves the factory at Martorell, near Barcelona, could be the last large car plant to be built in western Europe. It is the key element in Seat's 10-year, Pta800bn capital-spending plan. Full production will begin later this year making a higger version of the Ibiza model to be unveiled at May's Barcelona motor sbow.

Seat sales fell 43 per cent last month. Short-time working is in force at its plants in Barcelona and Pamplona with the aim of reducing stocks from 113,000 units at the end of last year to 82,000.

● Citroen Hispania, Spanish subsidiary of the French car group, is investing Pta30hn in its plant in Vigo, north-west Spain, to produce a new model in 1996.

Russian traders beat a path to China's door

Tony Walker reviews a rapid growth in business

VALERA, the fast-talking Russian trader, had no doubt he was on to a good thing as he supervised the packing of colourful children's pullovers for shipment to Vilnius, the capital of Lithuania.

"This is a hard business, but it's a good business," he declared. "Believe me, I've been everywhere – Turkey, eastern Europe, Pakistan – but China is the best."

Valera is typical of thousands of east European traders who are streaming to China to buy inexpensive garments to sell in the markets of Moscow and Warsaw, and other former east bloc cities where there is a shortage of affordable clothing.

Figures for this informal trade – dubbed as the new Silk Road – do not show up in official Sino-Russian trade statistics but its value is estimated to run into tens of millions of dollars annually.

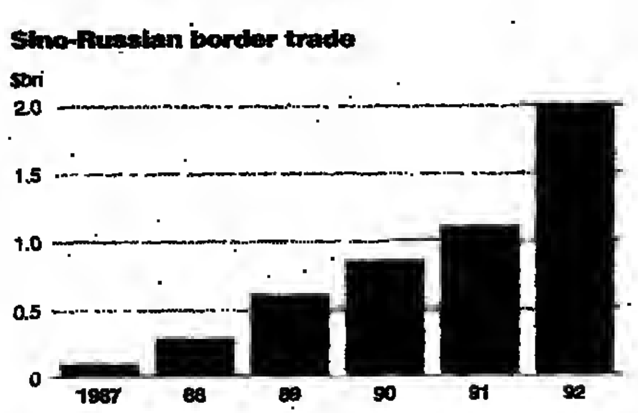
The rapid growth of this relatively small scale trade – entrepreneurs buy as little as a few thousand dollars worth of items – coincides with an explosion in more formal two-way business between China and the Russian Federation, much of it concentrated in the border regions.

According to Chinese and Russian customs statistics, border trade grew from $88m in 1987, the year that most restrictions were lifted on cross-boundary commerce, to $2bn in 1992.

Total Sino-Russian trade last year reached $6bn with the balance slightly in favour of the Russian side, due in part to arms transfers worth about $1.5bn.

A Russian official in Beijing said that the flow of goods across Russia's 7,400-long border with China's Heilongjiang province in the east, and the Xinjiang region in the west was fast becoming the most important component of trade between the two countries.

Border trade doubled last year to $2bn compared with the year before, and it shows little sign of slackening. Much of the trade is conducted by barter and is denominated in Swiss francs. It includes minerals, buildings materials and machinery from the Russian side, in exchange for Chinese food, clothes and electronics.



Joint ventures involving Russian and Chinese entrepreneurs are also becoming a feature of commerce on the frontier. At last count, some 200 Sino-Russian ventures had been initiated, most of them small enterprises such as hotels and restaurants.

Another sign of burgeoning trade links, especially in the border areas, lay in the surge in visitors passing back and forth. In 1992, 700,000 passed through the 20 frontier posts, gates, including the seven established last year.

While a number of these visitors were tourists, most had come to do business. In all, about 1m Russians – including the hundreds of Russian garment traders flying into Beijing each week on Aeroflot charters – visited China last year, an increase of approximately 50 per cent on the year before.

Barriers to even brisker activity on the Sino-Russian frontier include extremely poor communications – telephone calls are still routed through Beijing and Moscow – and the paucity of railway lines in one of the world's most inhospitable regions.

The absence of bridges across the Amur river, which delineates the Sino-Russian border in the east, also hinders transportation.

Booming Sino-Russian trade is, as might be expected, causing security problems for the two sides. Chinese border police reported 3,000 arrests along the frontier in 1992, most for smuggling offences. There are also indications that the Russian "mafia" may have begun to collaborate with organised crime in China.

Formal links between the Russians and Chinese have flourished since the lifting of a two-decade freeze in the 1960s and 1970s. Apart from 40 or so representative offices of state organisations perhaps several dozen private companies have recently opened their doors.

But it is on the streets of the capital that the Russians are most visible, especially in the street market that runs along the western flank of Ritan park, near the city's diplomatic quarter.

There, mainly Russian *guoji dao ye*, a slightly derogatory Chinese reference to "international pedlars", spend their days haggling over women's angora sweaters, padded jackets and other textile items. Business is conducted strictly in dollars.

Despite the rapid growth in contacts and business dealings, both sides appear as untrusting and suspicious of each other's activities as their predecessors were during the heyday centuries ago of the Silk Road between China and Europe.

NEWS: INTERNATIONAL

Kim chooses ex-general as premier

By John Burton in Seoul

Hwang: financial and commercial experience

MR HWANG IN-SUNG, a former general, cabinet minister and corporate executive, was appointed South Korean prime minister by the country's president-elect yesterday.

The choice of Mr Hwang indicates the sort of balancing act Mr Kim Young-sam, who will be inaugurated as president this week, is performing in his political appointments.

While Mr Kim has named political and economic reformers as his presidential advisers, he is expected to appoint mainly conservative politicians from the ruling Democratic Liberal Party to fill cabinet positions.

Mr Hwang is a senior DLP official responsible for policy, with emphasis on the economy. He favours stimulative measures to revive the ailing ecoomy aod has criticised present tight mooetary policy. He opposes tbe opening of the country's rice market to foreign competition.

Mr Hwang's views on the economy conflict with some of those held by Mr Kim's reform-minded economic advisers. That could indicate a possible struggle between the Blue House, the executive mansion, and the cabinet.

The selection of Mr Hwang was somewhat surprising since Mr Kim, the country's first civilian leader in 32 years, had been expected to appoint someone without a military background to stress the new government's democratic character. But Mr Kim has to appease the majority faction of the DLP affiliated with Mr Roh Tae-woo, the current president and a former general. Mr Kim comes from a minority group within the party.

Mr Hwang spent most of his military career in financial administration before serving in the cabinets of Presidents Chun Doo-hwan and Roh during the 1980s.

His appointment will promote harmony within the DLP, and is msant to reduce regional rivalry in tbe country. Mr Hwang is a native of Cholla region, the most underdeveloped area in South Korea and the stronghold of the opposition Democratic Party.

Mr Hwang was a former provincial governor in Cholle and is one of only two ruling party MPs from that area, which normally gives 90 per cent of its vote to the Democratic Party.

He became the first president of Asiana Airlines, South Korea's second biggest air carrier, in 1988 before returning to parliament.

Yen shoots to high of 116.85 against dollar

By Emiko Tarazono in Tokyo

THE YEN yesterday surged to e new high against the dollar of 116.85 yesterday as the Japanese financial enthorities continued to show little sign of planning a concerted intervention to check its rise.

In spite of an almost 6 per cent appreciation of the yen against the dollar over the past two weeks, the Japanese authorities have conspicuously refrained from hinting that they may intervene in foreign exchange markets.

The sharp rise was mainly dne to weekend comments hy Mr Lloyd Bentsen, US treasury secretary, that he favoured a stronger yen, apparently to help to choke off the mounting Japanese trade surplus.

The dollar has plunged by almost Y8 over the past two weeks on speculatinn that the Gronp of Seven finance ministers meeting in London this weekend may attempt a concerted move to push up the yen to correct the trade imbalance.

The Japanese authorities deny that such a move is being planned. However the government appears, for the time being, to accept the sudden loss of Japanese export competitiveness, even though Japanese industry is suffering from deeply depressed domestic demand.

It is thought the government's willingness to see the yen appreciate is partly designed to send a signal to the Clinton administration that Japan is prepared to take macro-economic measures to help reduce its trade surplus. Japan is keen aot to antagonise the Clinton administration and strengthen the hand of protectionist lobbies, while the new US administration is still formulating its policy towards trade with Japan.

In previous periods in which the yen has appreciated rapidly, most recently last autumn during the turmoil in European currency markets, government officials maintained a deily commentary on the state of the foreign exchange markets.

An executive at Sanwa Bank said: "There have been comments concerning the speed of the rise, but not over the level of the exchange rate."

Karen Zagor adds from New York: The dollar continued to react to Mr Bentsen's comments by dropping below Friday's record low levels of Y118.20. At mid-session it was quoted at about Y116.40.

Ministers undismayed by surging currency

The yen's future level is closely linked to performance of the US economy, reports Emiko Terazono

WHILE Tokyo foreign exchange traders have scrambled to buy the yen in hectic trading over the past 10 days, Japan's finaocial authorities have engaged in a concerted display of calm over the yen's ascent against the US dollar.

The yen has risen by 6 per cent against the dollar in two weeks. But the Japanese authorities have been slow even to hint that they may attempt to check its rise.

During the autumn, when the yen rose as investors took flight from the turmoil in European currency markets, government officials were quick to warn against e rapid appreciation.

Yesterday, officials adopted a relaxed approach. Mr Yoshiro Hayashi, finance minister, said there had been no specific steps against the yen's appreciation but he would watch the exchange market closely.

Mr Yuji Tanahashi, vice international trade and industry minister, expressed concern over the rapid rise, hut said a dollar-yen rate of Y117 would be acceptable.

The surge has been fuelled by speculation that the Group of Seven finance ministers meeting in London this weekend will approve an appreciation of the yen, designed to choke off Japan's ballooning trade surplus.

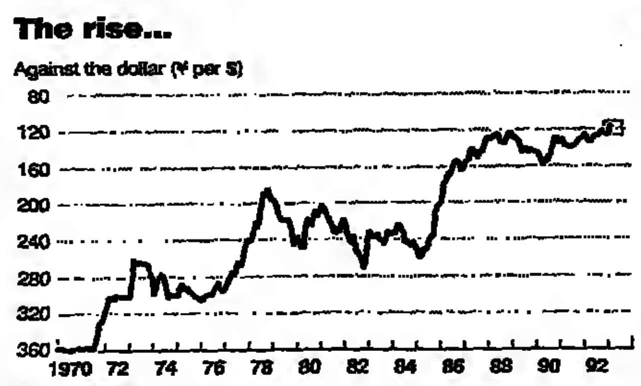
These rumours were given weight over the weekend by comments from Mr Lloyd Bentsen, the US treasury secretary, that he hoped to see a higher yen to help reduce the US trade deficit with Japan.

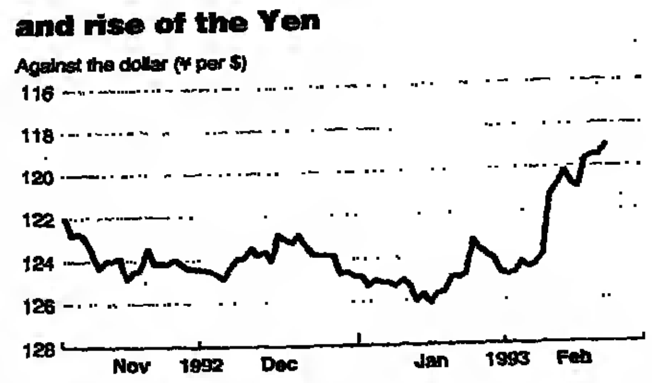
Japanese officials are strongly opposed to any attempt by the G7 to manipulate the yen in the name of world growth. Yet the Tokyo government's willingness to see the yen appreciate is probably closely related to its concern that its mounting trade surplus, which rose 34.9 per cent to $5.3bn (£3.73bn) last month, might sour relations with the Clinton administration.

Japan's leaders welcomed last week's state of the union address in which Mr Clinton outlined plans to reduce the US federal deficit.

Japan has insisted that this deficit has been one of the main causes of the trade surplus.

By allowing the yen to rise, Japanese leaders are showing their willingness to reciprocate with a macro-economic approach to reducing the trade surplus. Japan wants to avoid a more segmented industry-by-industry approach.





Yat the surge may ha short-lived, even though Tokyo economists belief the yen could rise to Y115.

The currency's rise has been prompted partly by Japanese companies repatriating funds to improve their profits before they close their books at the end of March. After that the demand for the yen might tail off.

In the longer run, much will depend on the performance of the US economy. While the Japanese economy is expected to remain sluggish until the autumn et least, e sustained recovery in the US would strengthen the dollar.

Mr Geoffrey Barker, economist at Barings Securities in Tokyo, believes the yen could weaken to Y135 in the medium run.

The Bank of Japan yesterday played down the negative effects of the yen's rise, announcing that the appreciation of the Japanese currency was not a pressing economic concern as long as it was not rapid.

However, e stronger yen will hurt export-oriented motor and electronics industries, which are already being battered by a plunge in domestic demand. Toyota Motor claims that profits would be eroded by Y6bn (£36m) on a Y1 fall of the dollar. Japanese life assurance companies, heavy investors in the US dollar bond market, will also face losses on their portfolios.

The yen's appreciation, however, will help the country's banks, which need to clear the capital-to-assets ratio set by the Bank for International Settlements at the end of March, as the value of the banks' overseas assets will fall relative to their yen capital base.

Other beneficiaries should include industries reliant on imports of raw materials, such as paper and pulp companies and power utilities.

If the impact on Japanese industry is uncertain, the likely effect on Japanese economic policy-making at home is easier to predict.

Manufacturing industry is already deeply depressed. Further pressure on manufacturers' export margins would be extremely unwelcome.

If Mr Miyazawa is to meet their concerns and reduce the trade surplus to head off friction with the US, then further measures to stimulate the Japanese economy would become irresistible.

Christopher's tour takes in Beirut

By Our Middle East Staff

THE US secretary of state, Mr Warren Christopher, acknowledged Lebanon's improved political stability yesterday by including Beirut in his week-long tour of the Middle East. It was the first visit by a US secretary of state to Beirut for nearly a decade.

Lebanon is part of the Middle East peace process launched in October 1991, and its refusal in December to accept 415 Palestinians deported by Israel underlined its new assertiveness. Mr Christopher may have been looking for Lebanese help in solving the problem of the deportees, and an assurance from Beirut that it is committed to a quick return to the negotiating table in the US.

The secretary of state was welcomed by Mr Faris Bouez, the foreign minister, who accompanied him into the Ministry of Defence for talks with President Elias Hrawi and Mr Rafik al-Hariri, prime minister.

Mr Christopher had flown from Cyprus to Beirut and was scheduled to complete his visit to the region with two days of talks in Jerusalem with Israelis and Palestinians.

Mr Shimon Peres, Israel's foreign minister, said yesterday that Mr Christopher could agree a date for the resumption of peace negotiations during those talks. However, the Palestinians have said they will not attend while the fate of the deportees is unresolved.

India's president calls for national unity

By Stefan Wagstyl in New Delhi

MR Shankar Dayal Sharma, India's president, yesterday condemned attempts to exploit inter-religious tensions for political ends and appealed for a campaign to promote national calm and unity.

"The most important task before us today is to restore confidence and communal amity shaken by the tragic events of December 6 last year [when the Ayodhya mosque was destroyed] and what followed thereafter," the president said on the opening day of a new parliament.

He spoke amid rising tension over plans by the radical Hindu Bharatiya Janata party for a rally in New Delhi on Thursday, defying a government ban. The BJP, whose supporters set off nationwide inter-religious violence by sacking the Ayodhya mosque, yesterday boycotted parliament over the arrest of some of the thousands of demonstrators en route to the capital.

The police have reinforced checkpoints at New Delhi's borders and have orders to stop demonstrators. The BJP has countered by telling supporters to hold gatherings in their home towns and urging others to try to get through the cordons and attend the rally in New Delhi.

BJP MPs yesterday demonstrated outside parliament against the government ban, which Mr L.K. Advani, the party leader, condemned as harking back to the emergency rule imposed in the 1970s by Mrs Indira Gandhi.

The row over the planned rally has overshadowed the 1993-94 budget, to be presented by Mr Manmohan Singh, finance minister, on Saturday. It will give the government a chance to try to put economic reform back at the centre of its agenda. But the likelihood of immediate success is small, given the passions aroused by the religious conflict.

BJP party members with their leader L.K.Advani, centre right, boycott the president's address opening India's budget session. They are protesting at the ban on a rally they plan for Thursday

UN medicines sent to Kabul

THE United Nations sent a convoy of trucks carrying 16 tonnes of medicines and blankets for the thousands of wounded to the shell-shattered Afghan capital Kabul yesterday despite the lack of a permanent ceasefire, Reuter reports from Islamabad.

Mr Sotirios Mousouris, the UN's special envoy, said he had decided not to wait for a formal ceasefire from the two main warring factions of President Burhanuddin Rabbani and his arch rival Gulbuddin Hekmatyar, chief of the dissident hardline Hezb-i-Islami party.

More than 1,000 people have been killed and 6,000 wounded in a month of rocket and artillery bombardments between the two sides.

Both the main warring parties agreed on Friday to a UN request for a 72-hour ceasefire in Kabul to allow the evacuation of badly wounded civilians and a shipment of medical supplies but have still to set a date and time.

HK airport project hits turbulence again

New chief executive is confident of government support, writes Simon Holberton

THE ATTEMPT to build a new airport for Hong Kong claimed its second victim last week when Mr Richard Allen, the Provisional Airport Authority's chief executive, was replaced by Mr Hank Townsend, a senior executive with Bechtel International, the US construction company.

The airport was high on the list of reasons which led Mr John Major, Britain's prime minister, to announce at the end of 1991 that Lord Wilson, the colony's governor, would be replaced. Mr Chris Patten was appointed last April.

But the project, which in different ways came to obsess Lord Wilson and Mr Allen, remains what it has always been: the safeguard of Hong Kong's future as southern China's premier port. Together with its related infrastructure projects – land reclamations, a railway, and roads – it is one of the biggest single projects of its kind in the world.

In spite of the benefits to both China and Hong Kong, the airport has been one of the casualties of the present row between Britain and China about the colony's political development.

The apparent thaw in Sino-British relations, which is expected to result in the resumption of negotiations about Hong Kong's political structure, may end with China stamping its seal on the overall financing of the project. If agreement can be reached the general expectation is that the dispute about financing can be settled very quickly.

The annual rate of consumer price inflation edged above 10 per cent in Hong Kong last month, the first time in almost a year, Simon Holberton writes.

The Hong Kong government, however, sought to play down January's rise, at an annual rate of 10.1 per cent, in the CPI(A), the broadest measure of price movements in Hong Kong. It attributed the rise to seasonal factors, notably the timing of this year's Lunar New Year holiday which occurred at the end of the month.

Hong Kong has suffered a chronic inflation problem for the past few years which is mainly attributable, economists and government officials say, to the structural changes that are taking place in the colony's economy.

But in the absence of an agreement, the project exists in a curious twilight world where, in spite of the diplomatic impasse, work proceeds on projects that do not need China's agreement. The Hong Kong government has let HK$21bn (£1.92bn) of these contracts, covering bridge construction, land reclamation and roads. According to officials they are on time and about $2bn under budgeted estimates.

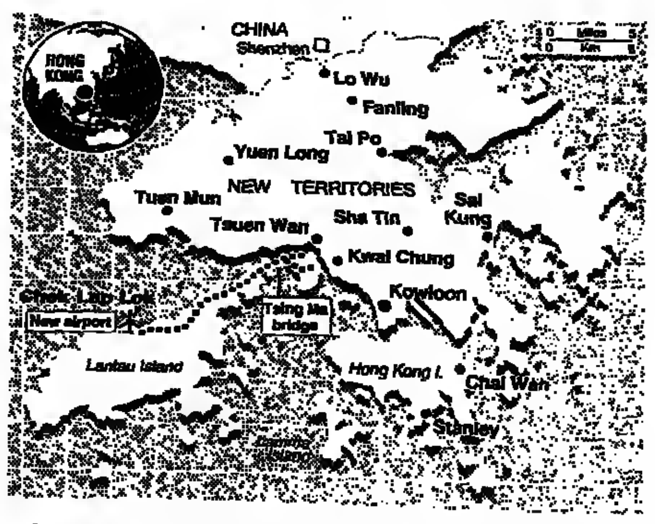
Although all are important pieces in an integrated infrastructure development plan encompassing nine "core" projects, the two most important ones – the airport itself and its connecting railway – are faring less well.

The airport proper is like a patient on limited life support. Funding for the PAA's headquarters will run out at the end of June. If Britain and China cannot agree terms and the Legislative Council, the local law-making body, refuses to vote it more money – which it came very close to doing last November – then the PAA may not be able to pay salaries and may have to lay off staff.

Mr Townsend, who moved into the chief executive's office at the PAA last Friday, does not like to talk about such an eventuality. He simply states: "The government is committed to the project."

As if to underline the increasingly surreal nature of the PAA's position, construction of the airport platform on Chek Lap Kok, a small island to the north of Lantau, proceeds apace. The HK$9bn contract, which was awarded to an Anglo-Chinese consortium at the end of last November, is now three months into the 41 months allocated for the preparation of the site. It is fully protected financially and will proceed even in the absence of further funds for the PAA.

Mr Townsend says that in spite of a three-month delay in awarding the contract, the PAA and the contractor have been able to keep to "critical turnover days" ensuring that areas of the site will be ready on time for facilities to be erected. Detailed design work on Sir Norman Foster's vision of the terminal complex is also proceeding – an effort designed to make the terminal as "passenger-friendly" as possible ensuring the smoothest procession from aircraft, through immigration and baggage collection to customs.



The uncertain political outlook has, however, led the PAA to hasten slowly in holding final tenders for large-scale airport services, such as cargo handling and aircraft maintenance. These franchises need Beijing's agreement before the contracts can be awarded.

Similarly the airport railway. Some preliminary design work is being done and staff are being recruited but until China approves financing, the Mass Transit Railway is treading water.

With Beijing's response uppermost in mind, the government has still to decide whether to call tenders for the Central and Wanchai reclamation, part of which will be used for the airport railway's terminus on Hong Kong island.

Another important project is also stalled. The Hong Kong government is still in negotiations with Wharf and CITIC Hong Kong, one of Beijing's biggest companies in the colony, about the construction of the Western Harbour Crossing, a tunnel linking Hong Kong with a reclaimed site in west Kowloon.

This contract involves awarding an operating franchise to the companies, which will need China's approval. CITIC is keeping its head low with no inclination to settle until there is an improvement in Sino-British ties.

Since 1989, when Lord Wilson announced the government plans to build an airport, China has been the critical factor in ensuring its success. More than three years on that remains the case.

Clinton's pledge of universal access to care is likely to push up short-term funding needs

US health costs may trigger further tax rise

By George Graham in Washington

CLINTON administratinn nfficials are bracing themselves tn ask for a secnnd round nf tax increases to pay for short-term costs of the healthcare reforms they expect to propose in May.

While healthcare reform is seen as essential to any long-term effort to bring government spending onder control, it is expected to cost a considerable amount in the shnrt term, before these savings start to accrue, because nf President Bill Clinton's pledge that the reforms will include universal access to healthcare.

About 34m penple are excluded from the healthcare net. Most of these are employed hut do not receive health insurance from employers, and are not poor enough to qualify for the government-funded Medicaid system.

The General Accounting Office estimates the cost of extending coverage to these people at $12bn-$27bn a year, hut the Washington Post reports that a study prepared for Mr Clintnn before he took office puts the cost at $175bn over the four years, befnre savings start to come in.

But without reform, Mr Clinton warned when presenting his economic plan last week, healthcare, mostly on the Madicaid and Medicare programmes, will absorb 25 per cent of federal government spending by 1998 because of the way in which costs are spiralling at twice the rate of inflation.

In addition, universal coverage is not merely a social goal hut an element nf a cost containment strategy; one of the problems in the US system is shifting treatment costs of those who cannot pay on to those whn can.

Mr Leon Panetta, the hudget director, said last week that he expected some "sin taxes" nn items such as alcohol, tobacco and firearms to be increased to pay for the healthcare reform. An alternative would be to reduce the tax deductibility of employer-paid health insurance premiums.

Other cabinet members have been less explicit, saying only that tax increases are an option, but officials acknowledge they will be hard to avoid.

Cuba goes to polls tomorrow

By Canute Jamas in Kingston

CUBANS will vote tomorrow for national and provincial legislators for the first time since President Fidel Castro took power in 1959. The vote, described hy the government as a step towards electoral reform, is unlikely to mnllify Mr Castro's critics, who have been advncating multi-party elections.

There will be only one candidate, nfficially approved hy the Cuban Communist party, for each of the 589 seats in the National Assemhly and 1,190 delegates to the prnvincial assemblies.

The Cuban leader, however, has been using the event to deflect attention from the conntry's parlous economic condition. In several campaign speeches over the past fortnight he has descrlhed the election as an npportunity for Cubans to send a message of defiance to the US – to "send a firm message to the enemies of the revointion, tn the imperialists, that this is a united and strong people".

Althongh nn candidates from dissident groups will be allowed to stand, the government is reported to be concerned at the possibility of a protest vnte through a high number of hlank ballnts.

Candidates receiving less than 50 per cent of the votes cast will he eliminated and new elections held for the post.

Government officials say the vote is part of a programme of electoral reform which started in December with local government electinns. All candidates then were also approved hy the Communist party.

President Castro has predicted that tomorrow's electinn will underline "the triumph of the revolution". He has said that Cuha's electoral system combines "all the virtues of democracy without all the vices and corruption".

Cnha's econnmy has been under pressure since the break-np of the Soviet Union, once the island's main benefactor. A shnrtage of fnel has affected public transport and power generation, while the country has not been able to import sufficient food, medicines or agricultural chemicals.

In recent months Cuban officials have repeatedly blamed the 32-year-old US economic embargo for the island's problems.

President Bill Clinton spells out his policies to business leaders from Silicon Valley, California, on Sunday evening

Major treads softly in special new relationship

By Philip Stephens and George Graham

MR John Major, the British prime minister, will tomorrow warn President Bill Clinton that any attempt by the US administration to re-open last year's US-EC farm trade accord would wreck hopes of a successful conclusion to the Gatt trade talks.

As Mr Major prepared for his first meeting with President Clinton, senior British officials said that he regarded a commitment not to unpick the so-called Blair House accords on agricultural subsidies as an absolute pre-condition for an eventual agreement to wind up the Uruguay Round.

Mr Major hopes in tomorrow's White House talks to present himself as an honest broker in resolving the latest range of trade disputes between Brussels and Washington.

In that capacity he will warn that several EC states – most notably France – would seize on any fresb US doubts about Blair House to unravel the farm trade deal and wipe ont prospects of a global trade agreement. The prime minister will make much of the damaging impact that would have on international economic growth prospects, particularly in the developing world.

The stalled Gatt talks – and the separate US-EC disputes over European steel exports and public procurement policies – will take up much of the scheduled six hours of talks between the two leaders. Britain has welcomed President Clinton's decision to seek an extension from Congress of fast-track authority for the trade talks. Mr Major will emphasise that he believes a deal is still possible this year.

Foreign policy issues may prove less contentious at this week's meeting than previously feared. Mr Clinton's position on Bosnia has shifted since he took office in the direction favoured hy the UK, although he is understood to remain anxious to do more to reverse ethnic cleansing.

One such action might be the plan Mr Clinton floated over the weekend to parachute food and medical supplies into areas of Bosnia that have been cut off from relief hy road.

But Mr Clinton is not expected to press ahead with this proposal, which is not viewed favourahly by United Nations forces in the region, until be has met with Mr Boutros Boutros Ghali, the UN secretary-general, today.

Despite the narrowing of Anglo-American differences over Bosnia and a striking unity of purpose in the two countries' approach to Iraq, Mr Major's officials continued to display considerable nervousness ahead of their first meeting.

Amid fears that Mr Clinton might undermine Britain's claim to its much-prized special relationship, the officials took the unusual step of distancing Mr Major from belp offered by the Conservative party to former President Bush's election campaign.

The officials said that the despatch last year by Conservative Central Office of advisers to help tbe Bush campaign was approved by Sir Norman Fowler, the party chairman, without the knowledge of Mr Major.

In a Washington still preoccupied with the economic plan that Mr Clinton presented to Congress last week, Mr Major's imminent arrival has yet to cause more than the faintest of hlips on the political radar.

While a congressional group led hy Congressman Thomas Manton of New York is seeking signatures for a letter urging Mr Clinton to make Nnrthern Ireland a top priority in US-UK relations, the president's campaign pledge to appoint a special envoy has so far elicited only a distant echo.

The suggestion that Mr Thomas Foley, the Speaker of the House, might be that envoy has been discounted hy Mr Foley's office, which notes that the Speaker will have quite enough work getting Mr Clinton's economic programme through Congress.

FEARS of large tax increases on British companies operating in the US are to be voiced hy a senior delegation from the Confederation nf British Industry in meetings with US government nfficials this week, writes Tim Burt.

Sir Michael Angus, CBI president, and Mr Howard Davies, director general, are flying to Washington today to seek clarification from the Clinton administration about how corporate tax changes unveiled in last week's State of the Union address could affect UK companies. With investments totalling $106bn (£74.6bn), UK companies are the largest overseas investors in the US.

Initial fears that President Bill Clinton was aiming to raise $45bn in additional taxes over four years eased when the figure was revised down to $3.8bn over six years.

Taiwanese want F-16 trade-off

TAIWAN will seek aerospace technolngy from the US as part nf its purchase of 150 F-16 jet fighters for about $6bn, Taiwanese nfficials said yesterday, Reuter reports.

The government will ask General Dynamics, which makes the aircraft, to provide local rompanies with technology to repair and produce parts when company execntives visit Taiwan early next mnnth.

"Such an offset agreement would not nnly expand business opportunities for our companies, bnt beip ns improve maintenance for military aircraft," said Mr David Chn, head of the Taiwanese cabinet's Committee for Aviation and Space Industry Development.

The US gave permission last September fnr the F-16s to be sold to Taiwan. Taiwan's parliament approved the first instalment of the pnrchase price last month, hnt adopted a resolutinn requiring the government to negotiate technology transfers that would let Taiwanese cnmpanies produce parts worth at least 10 per cent nf the contract.

The island is eager to develnp its fledgling aerospace indnstry.

Washington appoints aid co-ordinator

THE Clinton administration yesterday appointed a naw co-ordinator of US aid to the former Soviet Union, less than a week after the current co-ordinator said Russian President Boris Yeltsin's days in power were numbered, Reuter reports from Washington.

The new co-ordinator is Mr Thomas Simons, the US ambassador to Pnland, whn will replace Mr Richard Armitage, a Bush appointee who is likely to stay in office until April or May.

The administration has sought to distance itself from comments by Mr Armitage that he expected Mr Yeltsin to be ousted before his presidential term ends in 1996.

When asked whether Mr Armitage's remarks had bastened Mr Simons' appointment, a State Department spokesman said the administration had been working for a month on appointing a new co-ordinator to work for Mr Strobe Talbott, President Bill Clinton's designated ambassador-at-large to the Commonwealth of Independent States.

The spnkesman said Mr Simnns would take over from Mr Armitage "as soon as he can wiod up affairs in Poland".

Bankers back call for debt register

By John Gapper

THE British Bankers' Association said yesterday that it supported in principle a call from foreign banks for a register of corporate loans to prevent lending to companies with excessive debts.

Sir Nicholas Goodison, the association's president, told a BBA briefing in London, however, that it was unclear whether such a register was practical.

The BBA is considering how complete such a register could be. It believes that because London is an international financial centre, it will be difficult to catalogue all forms of borrowing.

The Foreign Banks and Securities Houses Association has sent a proposal to the Bank of England and the BBA, which hints that overseas banks may reduce their commitment to London if a register is not created.

Mr Brian Pitman, chief executive of Lloyds Bank and BBA vice-president, said that the BBA had to decide whether an incomplete register would be a benefit. "If it lured a bank into lending without knowing all of a company's borrowing, then it would be a danger," he said.

The BBA also warned that "free" banking for personal customers who remain in credit is being put at risk by high street banks' efforts to stop subsidising loss-making business from other profits.

Sir Nicholas said that free banking was "not likely to be sustainable" because of banks' moves to end cross-subsidies. "If somebody is providing a service, why shouldn't they charge for it?" he said.

Digital unlikely to close Irish computer plant after US talks

By Tim Coone in Dublin

THE Irish government has apparently averted the total closure of a Digital Equipment Corporation manufacturing plant in the west of Ireland.

The US computer manufacturer is poised between concentrating production of its new personal computer range at either the Galway plant, or a similar one at Ayr in south-west Scotland as part of its retrenchment plans in the European market.

About 1,000 jobs are at stake at each plant and both UK and Irish governments have been lobbying Digital to sway the decision in their favour.

A high-level Irish government delegation that met in Boston, Massachusetts, yesterday with top Digital executives has apparently succeeded in its attempt to save tha Galway plant.

A decision on the plants, which make mini-computers and PCs, is expected this week. But Mr Ruairi Quinn, the Irish minister for employment and enterprise, who led the Irish delegation, said the meeting was "productive and satisfactory". Ha added: "we now expect the Galway plant to stay open in some shape or form".

Mr Quinn presented Mr Robert Palmer, Digital's chief executive, with new proposals, which according to the Industrial Development Authority in Dublin included a plan to locate Digital's European headquarters at Galway.

According to a government spokesman, Mr Quinn emphasised that should Digital choose the Ayr plant, the growing Euro-scepticism in the UK, "and within the Tory party in particular, might create problems for Digital in European terms". Mr Quinn also delivared e warning that any attempt to win the computer company's favour by breaking EC competition rules would be taken up in Brussels.

Before leaving for Boston, Mr Quinn said: "Stories to that effect have been conveyed to us from different sources although we have received no absolute confirmation of them."

About 25 per cent of Digital's annual European sales of $4bn are in the UK, and around $400m of these are government contracts.

If a reorganisation of manufacturing production between Ayr end Galway now goes ahead instead of plant closure, it is thought likely that Galway is most likely to retain its software, marketing and research and davelopment activities which employ around 350 people.

FT LONDON MOTOR CONFERENCE

Germany may cut UK components lead

By John Griffiths

UK MOTOR component makers were warned yesterday that Germany could soon start to close a unique "window of opportunity" for them to lead Europe in quality and productivity created by the presence in Britain of three Japanese car plants.

Tha Nissan, Toyota and Honda plants – expected to be producing a combined total of at least 600,000 cars a year by the late 1990s – had already created a quality and productivity "revolution" in the UK industry, Prof Daniel Jones, professor of motor industry management at Cardiff Business School told the Financial Times London Motor Conference yesterday.

But he added that German vehicle and parts makers, facing a collapsing domestic market and soaring labour and other costs, had begun rapidly to adopt Japanese methods of lean manufacturing and attaining "world class" quality and productivity standards.

"The Germans have lapped up the message with alacrity but the effects have yet to become visible. The UK has a head start which has got to be used," he said.

Prof Jones, joint author of the best-selling motor industry management book, *The Machine that Changed the World*, is a member of a team which has recently completed a study of Japanese and UK component suppliers.

The study concluded thet the best Japanese components plants had twice the productivity and 100 times better quality than other – mainly UK – suppliers it examined.

Prof Jones said "lean" principles could be applied to double productivity across most UK manufacturing industries.

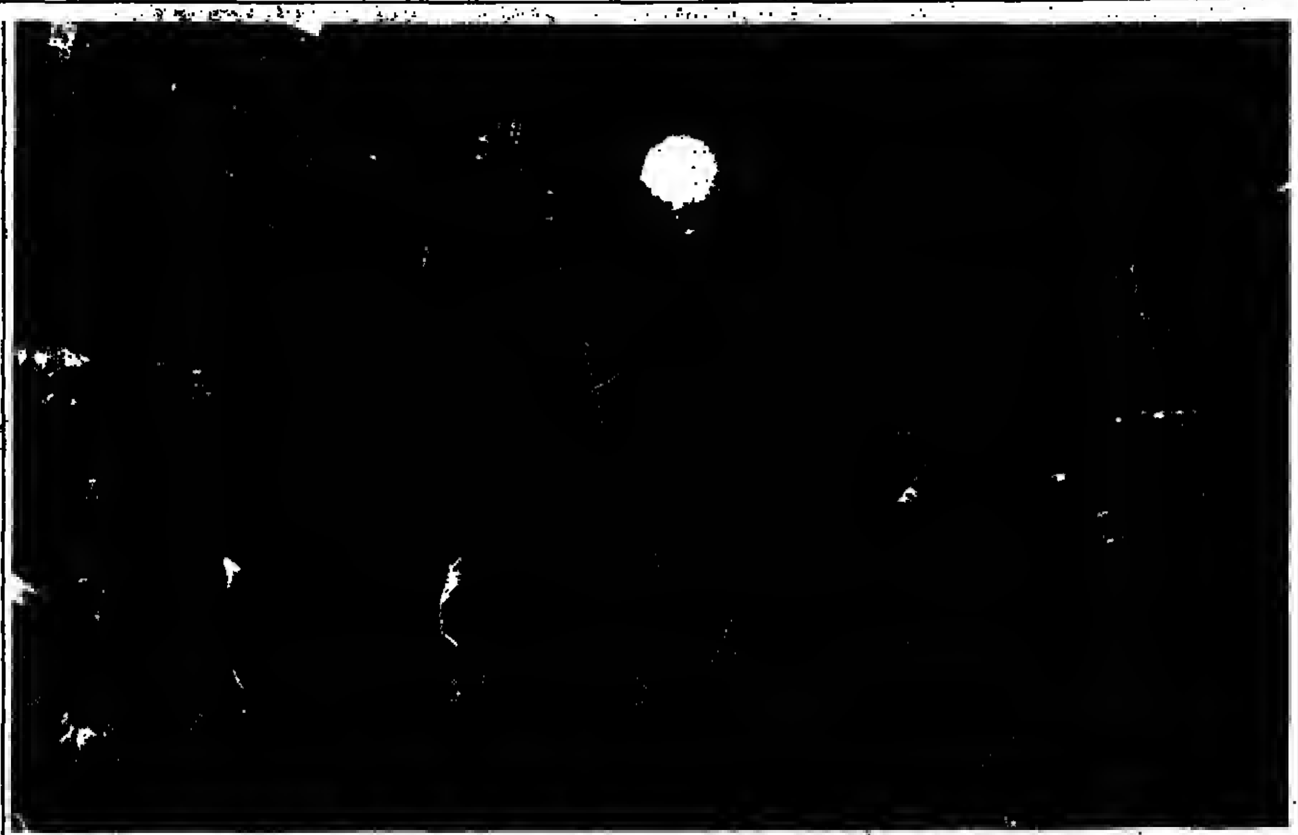
German component companies "are already slashing domestic prices dramatically in order to protect their market", according to Prof Garel Rhys, who holds the Society of Motor Manufacturers and Traders chair of motor industry economics. They were seeking to respond to what Prof Rhys calculated was a price advantage for a revitalised UK component industry of up to 30 per cent helped by sterling's devaluation post ERM.

Prof Rhys warned that European car prices were set to be driven down in real terms by Japanese car makers en route to a possible 30 per cent market share.

An average employee needed to work 15 weeks to buy a typical car in Japan, 21 weeks in the US, bnt 27 weeks in Europe. As a result: "the next decade will see a degree of competition in Europe the like of which has not been seen since the late 1920s and early 1930."

This would lead to further restructuring of the European industry, in which UK-based manufacturers would have a significant role as a result of Japanese transplants and increased efficiency. UK car output by the year 2000 could be as high as 2.8m, he predicted, compared with 1.3m last year.

● Ford is encouraging its dealers to set up mobile units to service customer cars at homes or offices as part of a strategy to win back more than £600m of after-sales and service business on Ford vehicles which it calculates goes to rivals outside Ford's dealer network.



The case of Jamie Bulger, a two-year-old murdered in Liverpool, has prompted a national debate on crime. Mr Tony Blair, Labour opposition spokesman on home affairs (above), yesterday launched new proposals aimed at curbing violence. Joe Rogaly, Page 16

British economy records tenth quarter of recession

By Gillian Tett and Peter Norman

FALLING output in manufacturing and services dragged Britain into its tenth quarter of recession at the end last year – making this the longest period of economic decline since the Second World War.

Although increased oil and gas production resulted in a very slight increase in gross domestic product during the second half of last year, the Treasury yesterday declined to say the recession had ended.

Instead a spokesman pointed to the continuing decline in onshore activity which affects the overwhelming majority of people and said that figures yesterday from the Central Statistical Office showed "that the economy has been broadly flat since the end of 1991."

The CSO said yesterday that seasonally adjusted GDP – the broadest measure of economic activity – was 0.2 per cent higher in the last three months of 1992 than the previous quarter, but 0.1 per cent lower than in the final quarter of 1991.

Without oil and gas, output showed a small decline. Between October and December it fell by 0.1 per cent compared with the previous quarter and by 0.2 per cent against the same period in 1991.

The latest quarter was the ninth consecutive quarter in which on-shore GDP recorded a fall compared with the previous year. Compared with the previous quarter, GDP excluding oil and gas has fallen in 9 out of the 10 past quarters.

Output during 1992 as a whole was 0.5 per cent lower than 1991. Excluding oil and gas, GDP was 0.7 per cent below the previous year's level, the CSO said.

From its cyclical peak in the second quarter of 1990 to its trough at the middle of last year, overall GDP fell by 4 per cent. GDP excluding oil and gas has fallen by 3.9 per cent in the period to the end of last year. This is still short of the 6.2 per cent drop in non-oil GDP recorded in the 1979-81 recession.

Yesterday's GDP figures were slightly better than expected in the City. Nevertheless, Mr Robert Lind, an economist at UBS Phillips & Drew, said he expects "a further decline in onshore GDP in the first quarter of 1993." For the whole of this year independent economists predict growth of around 1 per cent led by manufacturing.

A report published yesterday, however, by Business Strategies, a consultancy, warned that manufacturing will provide only a modest lift and that high unemployment will pose a "huge burden" until into the late 1990s.

Regulator backs the 'dash for gas' policy

By Michael Smith

PROFESSOR Staphen Littlechild, the electricity regulator, will today rebutt criticism of his support of the "dash for gas" with a ringing endorsement for gas-fired power in a significant setback to the coal lobby.

In his report Professor Littlechild roundly rejects the argument that the growth of cheap gas stations should be reigned back to help boost demand for coal and save a substantial number of the 31 threatened pits.

Professor Littlechild's counter-blast follows sustained criticism from companies including the electricity generators and British coal that his initial report on the subject, issued last December, was deeply flawed.

Although tha government was already sceptical about its ability to stem the dash for gas, Prof Littlechild's conclusions make even less likely that the government will use its legislative powers to prevent more gas-fired power stations being built.

The growth in gas-fired power is largely responsibla for a sharp fall in the demand for coal.

Prof Littlechild's review comes as the government struggles to finalise a review into the future of coal prompted by the October 13 decision to close 31 pits. A policy document, originally promised this month, is unlikely before the second week in March.

Some electricity market analysts believe that unless it tackles either gas or nuclear power, it may be unable to save enough pits to satisfy Tory MPs who have opposed the government's plans.

Britain in brief

Nissan faces court move by Botnar

Mr Octav Botnar, who faces fraud charges in connection with the tax affairs of Nissan UK, his car distribution company, has begun High Court action to recover £6m from Nissan, the Japanese car manufacturers.

Nissan UK is claiming the Japanese company has defaulted on an agreement to pay the money for sales and marketing support in connection with sales of its Bluebird range. Nissan denies such an agreement ever existed. Mr Botnar lives in Switzerland and has refused to return to Britain since police issued an arrest warrant concerning the tax affairs of Nissan UK.

Rig workers evacuated

Thirteen more men were flown off the accommodation rig Safe Supporter, taking the avacuation total to 400 in one of the biggest helicopter airlifts in North Sea history. The men were evacuated following a nine-hour operation at the weekend when bad weather forced the Safe Supporter to disconnect from the Lomond gas platform and pull away. The operation involved 14 helicopters which airlifted 387 workers to safety.

Losses likely on property

The Corporation of London will lose £5m of revenue in this financial year as a result of "constructive vandalism", the damage inflicted on buildings by owners to avoid paying rates, according to DTZ Debenham Thorpe, property advisers. The practice of stripping out buildings in this way is a response to the poor letting prospects in the City and the continuing rates bill incurred by empty property, which is levied at half the rate of occupied property.

New Oftel chief named

The eight-month search to find a new director general for Oftel, the telecommunications industry watchdog, has ended with the appointment of Mr Don Cruickshank, chief executive of the National Health Service in Scotland.

The long-delayed appointment reflects the determination of Mr Michael Heseltine, the trade and industry secretary, not to appoint a civil servant or academic but to select a candidate with broad business experience.

Test torment

The torment of the England cricket team at the hands of India is set to continue following another early order collapse in the third and final Test match at Bombay. Facing their third consecutive defeat, England were restricted by bowler Manoj Prabhakar who took three for 27. England now need to score 244 runs to avoid an innings defeat.

Branson sets BA deadline

By Michael Cassell, Business Correspondent

MR RICHARD BRANSON, the head of Virgin Atlantic, yesterday gave a 24-hour deadline to British Airways to agree compensation for tha damage inflicted on his airline by BA's "dirty tricks" campaign or face the threat of renewed legal action.

Virgin has set previous deadlines as part of its tactics to reach an early settlement with BA, following last month's £610,000 libel victory against its competitor. On each occasion, however, the airline has been prepared to let talks continue in the hope that a breakthrough could be made.

But the smaller airline last night appeared poised to break off talks and pursue its threat to pursue through the courts claims against BA of anti-competitive activities. Mr Branson said that, without progress towards an agreement over the next 24 hours, "there is no point in carrying on".

If progress is not made today Mr Branson will come under pressure to declare the talks over and embark on an alternative course of action.

Last night, BA said it agreed to make no comment on the talks and that it did not intend to respond to Mr Branson's remarks.

Talks began three weeks ago in an air of optimism, involving Mr Sid Pennington, managing director of Virgin Atlantic, Mr Trevor Abbott, financial adviser to Mr Branson and Mr Robert Ayling, BA's newly appointed group managing director.

But relations between the two sides deteriorated a week ago, following the disclosure of a letter from BA to Virgin, setting out proposals to settle the dispute. Virgin said the terms – which included a £3m payment – were not acceptable.

Neither airline is anxious for the dispute to continue any longer as fresh legal action would be time consuming and immensely costly. Virgin has said throughout, however, that it will consider mounting anti-competitive cases against BA in both the US and Europe unless compensation could be agreed alongside new ground rules for competition between the two airlines.

Building an overseas revival in UK office space

The devaluation of sterling is encouraging foreign investment in the UK property market, says Vanessa Houlder, Property Correspondent

THERE are tentative signs of increased interest from investors in the UK commercial property industry, after a three-year downturn which has destroyed property values, bankrupted developers and left scores of unoccupied developments in the hands of bankers.

Private buyers and overseas investors are taking an increased role, encouraged by the devaluation of sterling, the decline of interest rates and the possibility of investing close to the bottom of the market.

Last week, a Dutch company paid £13.8m for an office building in London's Leadenhall Street, and overseas investors paid £21m for a building in London's Chancery Lane.

In 1992, more than £1bn was invested by overseas buyers, over half of them German. Most of this was invested after sterling's exit from the European exchange rate mechanism.

Private investors have been encouraged to invest in property by the reduction in interest rates. The auction rooms, which deal with very small properties, say there has been a strong increase in interest since the last quarter of 1992.

One of the largest private investors is Mr Jack Walker, a former steel magnate and vice-president of Blackburn Rovers football club in the English Premier Division. He is currently investing £150m in property, using £100m of bank borrowings.

Antler Investments, Mr Walker's Jersey-based property investment vehicle, last year bought a £22m portfolio of industrial properties from British Land, a £5m retail portfolio from Royal Life, a £15.4m Bristol office building, a £6.15m Cheltenham office building and a £16m office building at the Haymarket in Edinburgh.

Institutions appear to be reluctant to resume their traditional role as the mainstay of the market. Annual net investment in the last couple of years has been around £700m, a third of the 1989 level. A recent Gallup survey found increased interest from insurance companies, but waning interest from pension funds.

In the UK corporate sector, buyers are outweighed by potential Large, quoted property companies have generally been selling in the downturn as their balanca sheets have come under increasing pressure.

Otherwise, the most active corporate buyers have been a handful of entrepreneurial companies that have emerged over the past two years.

Eskmuir Properties, for example, the investment company set up by the Laing family in 1990, has spent £80m and is looking to spend a further £50m this year on high yielding and securely let property.

Argent, run by Peter and Michael Freeman has invested over £130m in the last 18 months and says it could spend the same again.

"Wa are buying at the bottom of one of the worst ever markets in property," says Mr Michael Freeman.

The pattern of recent deals shows that investors have an appetite for every type of property, in every part of the country, though overseas investors show a clear preference for central London offices.

"London is the only international city in the UK," says Mr Klaus Hohmann, a director of DEGI, a large German fund that has bought three London buildings.

Virtually all transactions over the past two years have featured high investment yields, good quality covenants – reflecting tenants' ability to pay the rent – and long leases. "The law of property used to be 'location, location, location'. It is now 'location, quality, covenant' – and not necessarily in that order," says Mr Iain Ramsay of Antler.

The rigid criteria imposed by investors, coupled with similar restrictions imposed by bank lending policies has limited demand.

The result is a highly fragmented investment market. Unlet new developments and buildings with leases of less than 10 years are virtually unsellable.

At the same time, there is growing competition for the few properties that are in demand; many potential investors are experiencing severe difficulties in spending the money they have earmarked for property.

"There is a shortage of product at the right price," says Mr Andrew Strang, managing director of Allied Dunbar's property funds, which spent £106m on property last year.

Potential invsstors are increasingly frustrated. Even the fall in interest rates, which greatly enhances the attractions of property, has made investment more difficult because sellers are much more reluctant to dispose of their property.

The role of broker-dealer may be transformed with the launch of order-driven systems, writes **Richard Waters**

Reshaping the trading floor

Is share trading in London on the brink of its next technological revolution?

The first came with the Big Bang reforms of 1986, when the stock market shifted from the floor of the Stock Exchange to the telephone. The next possible step is electronic trading, with computers bringing together buyers and sellers and, in some cases, fixing the prices of trades as well. If that happens, the role of the Stock Exchange and broker-dealers could be transformed.

The latest attack on the current market structure comes from Tradepoint Financial Networks, a start-up venture which aims to compete with the renamed London Stock Exchange on a capital base of only $11m (£7.7m). Tradepoint, due to be launched in October, is an order-driven system: anyone who wants to buy or sell shares posts an order on a screen, then waits to see if anyone comes forward to trade against that order electronically.

That makes it an alternative to the dealer-driven (or quote-driven) telephone market, which is based on prices advertised by marketmakers. Buyers or sellers use the telephone to trade, often negotiating a better price than the one advertised (something that happens in 56 per cent of share trades in London of more than £100,000, according to the London Stock Exchange).

Constructing an order-driven or auction market is cheap and technically easy to do. Tradepoint reckons it needs to win only 1.5 per cent of London's stock market business to break even.

Off-the-shelf software has helped to cut the cost. Tradepoint studied stock market systems offered by Transvik (whose cross-border market in Scandinavian shares, Nordex, recently closed) and OM (the Swedish futures and options market) before picking VCT. This system, developed by the Vancouver Stock Exchange, has been installed in Mexico and Caracas.

The market will be run on a Stratus fault-tolerant computer, under a facilities management arrangement with Extel Financial. The communications software comes from Ericsson and the screens use Microsoft Windows.

Tradepoint is being launched as Instinet, the Reuters-owned electronic dealing system, is renewing its efforts to break into the London markets. Instinet, created in 1969 and bought by Reuters in 1987, has 200 terminals in use in Europe, double the number of a year ago, and claims the level of business it is handling has risen six-fold over the same period – though it declines to give absolute trading levels.

Instinet has adopted a lower-risk approach than Tradepoint, preferring to depict itself as an alternative broker rather than an alternative stock market. The only difference with other brokers, it says, is that its users have full access to all the buy or sell orders it has received. With its established base of users in the US, around 90 per cent of trades currently done in London bring together US institutions on the one hand and UK brokers on the other.

Electronic trading systems have been tried before and failed. Markets are fine-tuned mechanisms; they must bring together different groups of users, each with a different interest and a different level of information, in a way that leaves each feeling they have a fair deal. Using technology to replicate an existing market, or to create a new ona, poses challenges which go beyond the technological.

A decade ago, attempts were made to launch similar order-driven markets in London for both equities (known as Ariel) and bonds (Eurex). Ariel was created by a group of institutional investors looking for a way to avoid the high minimum commissions on the London Stock Exchange. When the fixed commission structure disappeared, the impetus behind the system withered. Eurex did not get off the drawing board: marketmakers saw it as a threat to their existence and opposed its creation, according to Stanley Ross, a former head of Deutsche Bank Capital Markets in London, who is is now president of Tradepoint.

The real reason telephone trading has survived could be more simple. Investors prefer to deal by phone because it enables them to negotiate over price and because the relationships between institutional investors and equity and bond salespeople makes human intermediation an important part of the way markets operate in London.

Why should electronic trading succeed this time round? Two factors have changed since the early 1980s, and both point towards a greater use of technology.

The first is cost. Both broker-dealers and investment managers are under greater pressure, due to overcapacity in the securities markets. As the cost of computing power has fallen, the cost of human dealers has risen. Order-driven systems hold out the promise of cutting out dealers altogether.

However, there is little immediate sign of change. When asked, most investors say they are getting good value out of the London markets. They can generally trade in large volumes instantly, rather than having to wait for another investor to provide the other side of their order.

They also say the liquidity provided to the markets by broker-dealers is relatively cheap.

Members of the London Stock Exchange made a return on capital of less than 1 per cent between them in the first nine months of last year. Since the mid-1980s, their best performance was the 15 per cent return in 1989 – a poor return given the big losses they have shouldered in other years.

Cost considerations have already brought a degree of automation to the existing market. Trade, an automated system run by Barclays de Zoete Wedd, the investment banking arm of Barclays bank, claims around 10 per cent of the total number of bargains passing through the stock market. Orders are submitted to the system by independent brokers around the UK, and are executed automatically at the "yellow strip" price – the best price quoted by any marketmaker in the particular stock at the time.

According to BZW, around 15 per cent of deals received by marketmakers over the telephone are subsequently disputed in some way, involving expensive human intervention after the trade. The error rate on automated trades, by comparison, is "a fraction of 1 per cent".

The second reason electronic trading systems may finally have come of age is that the nature of investment has changed, with computers becoming more involved in decisions to buy or sell stocks.

Index-tracking funds, which seek not to outperform a stock market index but to match it, now account for an estimated 15 per cent of funds under management in London. The newest wave of funds use so-called quantitative investment methods – they analyse stocks for pre-selected properties to try to identify under-valued shares.

"All this money is crucial to us – it's managed by computers," says Mike Sanderson, president of Instinet. As this trend increases, the human intervention of a broker's sales staff becomes less important. Also, computer investment strategies such as index-linking are intended to provide low-cost entry to a stock market, making order-driven trading systems, which cut out the marketmaker in the middle, theoretically attractive.

Instinet has been reshaped to appeal to the new age of computer-based investors – though its commission rates, which are the same as those charged by conventional brokers, may deter some indexed funds.

There is one other overriding challenge the electronic markets face. A natural gravitational force draws investors and traders to markets which are already actively used. Why should they abandon an existing, bustling marketplace for a new, deserted one, whatever the theoretical advantages?

The new trading screens will gather dust if they cannot generate their own activity quickly. Peter Cox, a former Stock Exchange executive who recently joined OM (London), says: "The most important thing is liquidity – and a system, no matter how good, won't get it for you on its own."

Tony Andrews

Mike Sanderson: "All this money is crucial to us, it's managed by computers"

Technically Speaking

Setting standards for telecoms

By Alan Cane

The diverse interests which comprisa European telecommunications meet in Nice next month in an attempt to resolve an issue which threatens to split the industry and damage the standards-setting process.

The issue concerns telecoms standards, intellectual property and the extent to which a company's rights to a proprietary technology can be overridden in the public interest. The Gatt trade talks and the European Telecommunications Standards Institute (ETSI) are among tha organisations likely to be affected by the outcome of the Nice meeting.

ETSI was established by the European Commission to handle the highly technical but commercially vital subject of telecoms standardisation. It is made up of telacoms operators (PTTs), national governments, telecoms equipment manufacturers, information technology companies and consultants. Voting is weighed, with the national governments and the PTTs in the majority.

ETSI plays a crucial role in the standards-setting process and, therefore, in the development of the single market where inter-connectivity and inter-operability of electronics equipment is essential. Brief acquaintance with Europe's motley collection of telecoms systems is enough to convince anyone of the importance of ETSI's work. All the greater shame that it is in danger of being disrupted by the current squabble.

Standards are essentially concerned with operational rules. Inevitably, they involve products and processes that are the intellectual property of companies which may have invested many millions of dollars in their development.

For most standards-setting bodies – the International Standards Organisation, for example – international property rights licensing is voluntary; the IPR owner agrees to the incorporation of its technology in the standard. If it refuses, the standards body is forced to find a way of setting the standard without impinging on the IPR.

ETSI is taking a different tack. It has written a draft proposal which would allow 90 days from a particular date during which a company may withhold a particular IPR from a standard; if it fails to do so, the technology becomes available for licensing to members and non-members.

Governments and the PTTs, which spend comparatively little on research and development and own few IPRs, seem content with the proposal. IT companies, which sow billions of dollars a year in research and harvest IPRs like wheat, are outraged. Led by International Business Machines, Digital Equipment, Motorola and Philips, they are lobbying for a modified proposal involving voluntary licencing.

The essential problem is the difficulty for any large company of knowing precisely which IPRs or potential IPRs it holds at any one time and which ones may be involved in the standards the multiplicity of ETSI committees are working on. They fear losing their IPRs by default. Ownership of an IPR which becomes a standard is one of the key technological differentiators for IT companies today.

There are arguments that it is a technological problem which could be solved by technology – a computer database, for example, which would match ETSI's work with its members' IPR records. This would be hard to implement in globally spread companies where research is carried out at a multiplicity of sites.

There are other considerations. The IT companies complain the proposal may breach Gatt regulations. EC importers of licensed products manufactured in third countries would be at a disadvantage because the terms available to them would be less good than those available to ETSI members.

Some computer companies are so concerned by the proposal they are prepared to withdraw from ETSI rather than risk their intellectual treasures. The commission wrote to ETSI last year encouraging it to opt for a voluntary licensing system, based on "tried and proven principles". It is hard to disagree with its sentiments.

Until now.

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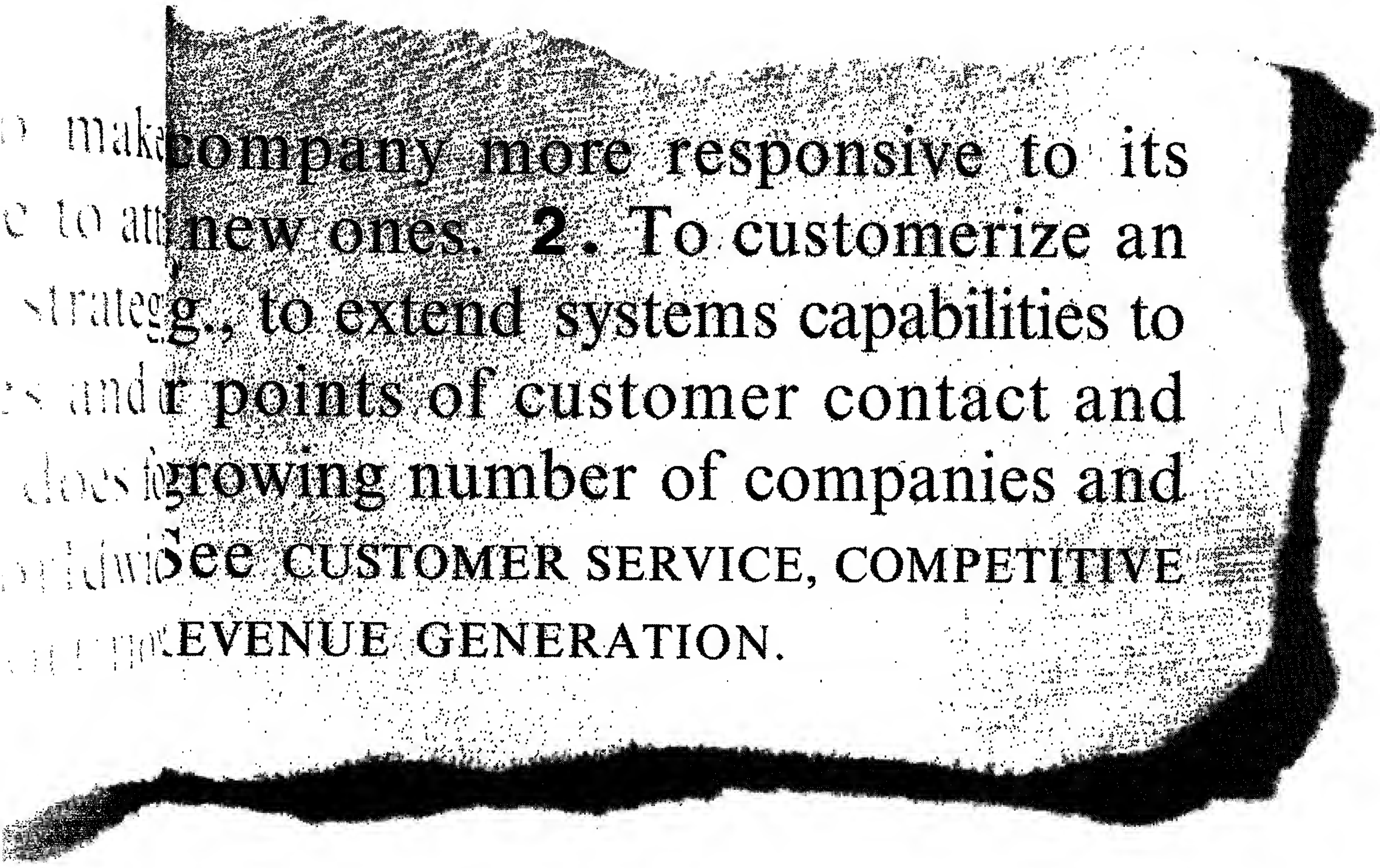
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MANAGEMENT: THE GROWING BUSINESS

Why are Britain's medium-sized companies so willing to give up their independence, asks **Charles Batchelor**

The temptation to jump ship

Berghaus is the sort of company on which Britain's economic recovery should be built. From its base on Tyneside in north-east England the company has established itself as a market leader in the field of outdoor clothing and equipment.

Founded in 1966 by two outdoor enthusiasts, Peter Lockey and Gordon Davison, Berghaus has grown to turnover of £20m (nearly half overseas), pre-tax profits heading towards £750,000 and a workforce of 450 people.

Despite two difficult years Berghaus has emerged as one of those elusive winners for which venture capitalists, bankers and academics search so hard. Then, suddenly, last Wednesday, weeks of speculation ended with an announcement that Berghaus's two founders were selling out to Pentland, a cash-rich sporting and consumer goods company, for £7m.

By coincidence, Derwent Valley Foods, manufacturer of the Phileas Fogg snack foods and, in common with Berghaus, based in the north-east, may also be on the point of selling out. The Medomsley Road, Consett company has grown in 11 years to profits of £2m and sales of £24m. It has a workforce of 270.

Roger McKechnie, chairman and managing director, says he has talked to many companies over the past few months in a search for a partner to help the company expand more rapidly overseas. There has been widespread speculation that United Biscuits, a large foods group, might buy Derwent Valley. McKechnie says nothing is excluded.

Berghaus and Derwent Valley are not alone in selling out or considering a sale. British companies are so willing to give up their independence that there is a growing concern at the country's failure to create a core of independent, medium-sized businesses, what the Germans call their Mittelstand.

A 1990 study, Overcoming Barriers to Growth in Small Firms, by the Advisory Council on Science and Technology (Acost), highlighted the rapid increase in the number of small businesses (employing fewer than 100 people) and a sharp decline in the number of medium-sized companies (employing between 100 and 499 people).

A belated recognition by government and policymakers that Britain was poor at growing more substantial businesses has forced a refocusing of business support initiatives. The government's planned network of business advice centres or "one-stop shops" is to concentrate on the established small and medium-sized businesses.

Why cannot these medium-sized companies make it on their own? Their US and German counterparts, by all accounts, grow far larger without compromising their independence. The reasons are many but several main strands emerge:

● Finance. British companies are over-dependent on short-term bank loans and often reluctant to sell equity. This acts as a constraint on growth. When venture or development capital is used, it too, has its limitations.

The venture capitalist may be unwilling to increase his exposure to a particular company or business sector. Venture funds make most of their profits by "exiting" from their successful investments, not by continually putting in fresh funds. Venture funds with a 10-year life, the most common form of venture capital organisation in the UK, come under pressure to realise investments as they approach their deadline for winding up, notes David Cooksey, chairman of Advent, a venture fund.

Berghaus had been looking for additional finance for about 18 months to finance further expansion overseas. "We were being held back from pursuing some markets," says Lockey.

● Management skills. The challenges posed by expansion often demand more than the founders can give. "Growth creates major management and organisational problems," say the authors of the Acost report. They point out the need for a balanced managerial team combining marketing, financial and technical skills. "Different skills are needed to take a business to the second stage," comments Malcolm Hay, corporate finance partner at accountants Ernst & Young.

Sometimes the inability of the founding entrepreneur to delegate becomes a barrier to growth while, even if the founder accepts the need to expand his management team, incorporating new managers can be a significant drain on the time of existing staff, Acost notes.

"It is not just finance we need," says Derwent Valley's McKechnie. "If we went naively into Europe we would be ripped off." Linking up with a larger company would provide finance and expertise, he says.

● The founders' ambitions. Most people who set up in business have no intention of growing to any size. They are content if their business provides them with a comfortable living. "Sixty per cent of people who start businesses do not want to grow," comments Barrow.

Lockey denies running out of energy to run Berghaus but he and Davison are retaining the shop where the company started. The LD Mountain Centre has turnover of £1m and employs 14 people but Lockey says he has plans to expand.

Selling out is not the only option open to the founder manager wondering whether he can manage the next stage in his business's growth, though it is the most common route. He could decide to stay on and pace his growth. This can pose problems, too.

One business owner rejected an offer of venture capital only to find his managers became frustrated with the slow rate of progress, recalls Colin Barrow, head of the enterprise group at Cranfield School of Management. A year or so later the managers resigned, raised their own venture capital and set up in competition with their former employer. "Managers want to work for companies which grow quickly. It looks better on their CVs."

Founder managers must also make sure that they do not miss the opportunity to get out at the most favourable time. Technology develops so rapidly that a company's competitive advantage can be lost if it does not move quickly while competitors will be quick to exploit gaps in a market.

The volatility of the UK economy also provides an incentive for entrepreneurs to get out while the going is good, says Graham Bannock, a small firms consultant. "The situation is so unstable that they give in to the temptation to accept an offer. They might never get another because the economy may have gone into recession again."

Flotation is another option though the illiquidity of small company shares has made this less attractive over the past five years. The London Stock Exchange's plans to close the Unlisted Securities Market in 1995 will further narrow options. The result could be that more companies succumb to an offer from a trade buyer.

But does it matter that medium-sized companies lose their independence as long as the purchaser manages them well and gives them the funds they need?

Yes it does, according to Acost and other studies. Smaller, independent businesses are better than large at developing new technologies. They can respond more flexibly to changing market demands and can bring new products to market more quickly and more cheaply than large firms. They also ensure a greater range of choice and make for healthy competition.

There are also implications for regional policy. Areas such as the north-east, which have attempted to rebuild their economy by supporting indigenous businesses, are concerned at the loss of local control.

"Independent companies are a vital part of the market system," says Cooksey. "But they are not sacrosanct and takeovers are a means of industrial renewal. There is nothing wrong with large companies taking over medium-sized ones provided other small companies come along to take their place."

'Managers want to work for companies which grow quickly. It looks better on their CVs'

Barriers to growth facing the medium-sized company

Ranked by order of significance

1. Overall growth of market demand
1. Increasing competition
3. Management skills
4. Availability and cost of overdraft finance
5. Marketing and sales skills
6. Availability and cost of finance for expansion
7. Skilled labour
8. Difficulties in implementing new technology
9. Acquisition of new technology
10. Access to overseas markets
11. Availability of appropriate premises of site

Source: Cambridge University Small Business Research Centre

How small and medium-sized enterprises fare

	Number of enterprises	% share enterprises	% share net output
Small, class size 1–99			
1963	58,166	88.7	11.8
1970	69,095	91.1	13.9
1979	84,229	93.9	14.6
1986	125,503	96.4	19.3
Medium, class size 100–499			
1963	5,653	8.6	13.4
1970	5,136	6.8	12.7
1979	4,152	4.6	11.6
1986	3,686	2.8	14.5

Source: Advisory Council on Science & Technology

In a Nutshell

Flying a kite for prompt payments

Would the creation of a prompt payment standard or kitemark persuade British companies to improve their poor payments performance? The Institute of Credit Management has approached both the British Standards Institution and the government to sound out their ideas.

The institute's original plan was for a "prompt payment" clause to be added to BS5750, a quality management standard which has won widespread acceptance. But this was rejected by BSI because many companies had signed up for BS5750 without such a clause.

The institute now hopes to create a separate "kitemark" which would commit companies to paying their bills by the date stipulated in the agreed terms.

Venture funds find elusive investors

Raising finance in the present economic climate is a task most venture capitalists would not wish upon their worst enemy. But against the trend a handful of funds have succeeded in finding investors.

Phoenix Fund Managers this month completed the raising of its first fund, of just over £50m, while European Acquisition Capital, part of the Swedish Enskilda banking group, has raised a £65m private equity fund to back buy-outs and buy-ins.

This followed a £14m fund-raising by Trinity Capital Partners by the first closing of a European Environmental Fund on behalf of the US investment bank Alex Brown & Sons. Meanwhile, Alta Berkeley Associates raised $21m towards a planned $50m for its fourth fund, Alta Berkeley III.

Keeping tight hold of your title

Many companies write a "retention of title" clause into their terms of trade to allow them to retain ownership of goods even after they have been delivered. The aim is to increase their chance of getting their goods or money back if a customer goes bust. But do these clauses work when the goods are exported to another country?

Baker & McKenzie, a firm of solicitors, has produced a guide to the effectiveness of retention of title throughout Europe. Retention of Title in Sales Contracts within Europe explains that in some countries the clause must be registered to be valid while others place restrictions on the goods which can be covered.

From Deborah Taylor, Baker & McKenzie, 100 New Bridge Street, London EC4V 6JA. 36 pages. Free.

Painful sting of business rates

Business rates have risen by 28 per cent over the past three years compared with an increase of just 20 per cent in the retail price index, according to the latest NatWest/Small Business Research Trust small business survey.

Rates account for an average 2.3 per cent of the sales of small businesses; but for the very smallest businesses, with sales of less than £20,000, they account for 5.1 per cent of turnover.

Unlike corporation and income tax, rates must be paid whether or not the business makes a profit, the survey noted.

Seed capital starts to bear fruit

A European programme to provide seed capital finance has exceeded expectations and led to the creation of 126 new businesses providing more than 1,200 jobs, the European Venture Capital Association says.

Nearly 70 per cent of the businesses formed have a strong technology orientation with a particular emphasis on software, healthcare and biotechnology. The three-year-old programme is expected to create more than 340 new companies employing more than 4,000 people when European Commission backing ends in 1995. A further 30 businesses are expected to fail.

The European Seed Capital Fund Network consists of 23 new seed capital funds set up with European Commission backing and a further 18 established seed funds which also joined the network.

BUSINESSES FOR SALE

BUSINESS AND THE LAW

Competition law does not apply

EUROPEAN LAW

Regional social security offices dealing with sickness maternity and old-age benefits are not "undertakings" covered by the Rome Treaty competition rules, the European Court of Justice ruled last week.

In a reference from a French court, in a case brought by two people who felt they had the right under EC law to go to any private insurance company in the EC in order to pay their social security contributions, the Court ruled that Community law did not impinge on the authority of member states to administer their own social security systems.

The Court also said that the relevant social security schemes had an exclusively social rather than economic aim. Given that EC competition rules only apply to undertakings which are engaged in an economic activity, the Court said the social security offices in question were not covered by the rules.

Joined Cases C-159/91, C-160/91: Poucet v Assurances Générales de France (AGF) et Caisse Mutuelle Régionale du Languedoc-Rousillon; Pistre v Caisse Autonome Nationale de Compensation de l'Assurance Vieillesse des Artisans, ECJ FC, February 17 1993

Belgian redundancy rules unlawful

Belgian rules, which exclude women over the age of 60 from supplementary redundancy payments, are contrary to European Community sex discrimination rules and unlawful, the European Court of Justice ruled last week.

The Belgian rules applied to people made redundant when aged 60 or above, entitling them to supplementary payments in addition to unemployment benefit. Under Belgian law, unemployment benefit is payable to men until 65 but to women only until 60. The effect of the redundancy rules was therefore of clear benefit to men.

The Court had to decide whether the redundancy payments came within the scope of Rome Treaty equal-pay rules. Relying on its decision in the Barber pensions case, it said that, simply because certain benefits were made after employment had been terminated, this did not necessarily mean that they could not be deemed to come within the scope of EC equal pay rules.

The Court did point out, however, that benefits such as state pensions, applicable to general categories of workers, which had no connection with an individual's place of work, would not come within the scope of the equal pay rules.

C-173/91: Commission v Belgium, ECJ FC, February 17 1993

Migrant workers' benefits

On a preliminary reference from a Belgian court, the ECJ held that EC rules regulating the granting of social security benefits to migrant workers took precedence over relevant national rules, even where the amount of the particular benefit in question was the same under both sets of rules.

The case concerned a migrant Italian worker who had worked both in Italy and Belgium before becoming ill. Both countries recognised his right to claim sickness benefit. The Italian benefit was calculated on the basis of the relevant EC rules. The Belgian benefit was calculated on national rules. The benefit was the same, whichever basis of calculation was used.

However, under the EC rules the benefit could only be re-evaluated if there had been a change relating either to the establishment of the person concerned or to the rules used to calculate the benefit. Under the Belgian rules the benefit could be re-evaluated to take into account changes in the benefit granted in relation to the fluctuations in the exchange rates. In this case the applicant's benefit was re-evaluated to his detriment by the Belgian authorities on the basis of exchange-rate fluctuations.

The Court held first that, where a worker was subject to the legislation of two or more EC countries, that worker was entitled to the most favourable benefits available – either under the national rules or the EC rules. However, the Community rules had to apply when the national rules were less favourable. The Court said this meant that, even where the national rules were chosen, the amount of benefit conformed with the EC rules. Given this, any re-evaluation should be determined on the basis of Community, rather than national, rules.

C-193/92: Bogana v Union Nationale de Mutualités Socialistes, ECJ 3CH, February 18 1993

BRICK COURT CHAMBERS, BRUSSELS

Cross border manoeuvres

Celia Hampton on the EC's revised rules for vetting joint ventures

Business can today cross European Community borders with unprecedented freedom. Succeeding in a new market is never easy, given different national consumer preferences; nor is it seldom cheap or risk-free.

Companies that do business across EC borders have a compelling interest in the "obstruction" – Euro red-tape – posed by the European Commission, as the EC competition authority. Though much reduced today, Euro red-tape can still prove a huge stumbling block for business.

Industry views the Commission as the flag-carrier for cross-border mergers and acquisitions: as a champion of the adventurous foreign company against local protectionism. But companies also tend to resent the Commission's powers over their commercial dealings, especially in view of the delays involved, and accuse it of unnecessary legalism.

Cross-border joint ventures often bring out industry's ambivalent attitude towards the Commission. The treatment of joint ventures also illustrates the Commission's seemingly contradictory function of encouraging cross-border mergers while at the same time stopping companies banding together in anti-competitive ways.

The Commission defines a joint venture an "institutionally fixed" form of co-operation between independent enterprises. The venture need not be separately incorporated, but it must be active as an entity and owned by the enterprises which set it up.

There are two main ways in which the actions of companies can reduce competition:

- cartels, which are "behavioural" and, in principle, undesirable;
- and mergers, which are "structural" but which can invigorate competition.

This theoretical distinction becomes extremely fuzzy when applied to joint ventures, which contain elements of both. The EC Merger Regulation, the Community's vehicle for vetting mergers affecting the European market, has also made matters worse by offering companies a strong incentive to draft their cross-border joint ventures as "mergers".

A joint venture which is categorised as "concentrative" (ie, as a merger), falls under the Merger Regulation and because of the regulation's strict procedural time limits may be cleared and up and running within a few months; hence the attraction to companies of ensuring their joint ventures are drafted as mergers.

A deal drafted as a "co-operative" joint venture, however, is beyond the ambit of the Merger Regulation and may fall by the wayside while awaiting approval under EC competition rules; even then, permission is not necessarily final and is often of limited duration.

A "concentrative" joint venture involves a permanent structural change in the market-place, such as the arrival of a new player in a sector. The parent companies of the joint venture enjoy the normal shareholder relationship with a "concentrative" joint venture; but the venture will not be treated as such unless it is also designed to perform as an autonomous and permanent economic entity. Most important, the venture must not "give rise to co-ordination of competitive behaviour" – or anti-competitive practices – among the parents or between them and the joint venture.

However, difficulties arise with the word "co-ordination". If the parents and the joint venture itself operate in the same market, it is likely that the joint venture will be treated as a springboard for developing a common strategy and will therefore be treated as "co-operative." If the joint venture is intended to operate in a related market, for example, distributing two manufacturers' products, the Commission may also come to the same conclusion.

The Commission is mindful of the divergent treatment of "concentrative" and "co-operative" joint ventures, and is now trying to reduce its significance in practice. Until the end of last year, most joint ventures needed individual exemption from EC competition rules before they could proceed. Now the Commission has restated its earlier practice of presuming "co-operative" joint ventures to be eligible for exemption. It has also extended the general exemptions for certain types of agreement, such as patent and know-how licensing, to joint ventures.

The Commission has already issued guidance on the distinction between "concentrative" and "co-operative" ventures. Last week a further notice was published defining "co-operative" ventures and explaining Commission practice in assessing them.

The guidance provides some insight, for example, by summarising the questions the Commission will ask companies when judging whether competition between the parent companies is likely to be affected.

The differences, even in terms of competition policy, between the two types of joint ventures are hardly sufficient to justify big differences in treatment. Accordingly, the Commission has proposed improving the position of "co-operative" ventures through an "internal organisation of procedure".

Since last month, "structural" deals – including "co-operative" joint ventures – have been processed more speedily under the Rome Treaty's article 85 exemption or "negative clearance procedures".

The Commission has promised to give either a "comfort letter" or a "warning letter to companies within two months of being notified of a prospective joint venture. A comfort letter means the Commission does not object to the deal or that it intends to grant negative clearance or an exemption; a "warning letter" would tell the companies that the Commission has serious doubts about the deal (see chart).

If the Commission does not issue a comfort letter it will open a second stage inquiry – for which there is no time limit. A swifter timetable has been promised for other cases after April 1.

But the new internal procedure may not go far enough. Full information similar to that required for mergers must still be supplied. Even companies which have already given exhaustive information on an unsuccessful application for merger clearance may be asked for further details, and the two-month period may then start afresh.

The concept of a "warning" letter is new and although potentially useful where only minor adjustments are needed in the deal to make it acceptable to the Commission, the letter may have legal effect.

Normally companies can proceed with a joint venture while awaiting the Commission's decision, but this carries the risk that the Commission may subsequently block the venture. It is possible that a warning letter will have the same effect as a decision blocking the deal. This would make the joint venture's further implementation unlawful.

Finally, it is difficult to understand why there should be no time limit on the second stage of the inquiry, given the amount of information that the Commission will have by then.

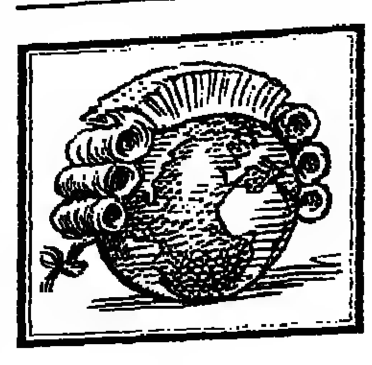
The author is executive editor of Business Law Brief, published by FT Newsletters.

New procedures for EC joint ventures

- Companies must complete form A/B giving information in similar detail to that required under the EC Merger Regulation
- Commission will examine case for up to two months
- Commission will give either, a "comfort letter", allowing companies to proceed with the deal, or, a "warning letter" telling companies the deal is unacceptable or that it needs more time to consider it
- Companies which receive a warning letter should stop all progress towards implementing the joint venture
- Commission will open a second stage inquiry to decide whether to approve or forbid the joint venture. There is no time limit on a second stage inquiry.

Companies resent the Commission's powers over their commercial dealings, especially in view of the delays involved

LEGAL BRIEFS



Soaps in US customs lather

EFFORTS by US manufacturers to block the importation of "grey market" goods goods made under licence abroad and re-imported – received a boost recently following a ruling by the District of Columbia Federal Appeals Court.

The court upheld a US Customs ban on two "grey" Lever Brothers soaps, Shield and Sunlight, on the grounds that although made under a valid licence in Britain by a Lever Bros affiliate, they violated US trademark legislation because they differed physically from the same brand of goods manufactured in the US under a US trademark.

The Court found that the US version of Shield "lathers more" than the UK version and that British Sunlight "produces less suds". The Lever case has already been cited by the First US Circuit Court of Appeals in a case involving the import of "grey" Perugina chocolates.

The First Circuit court said that the imported chocolates produced outside the US under a valid licence infringed the US trademark because differences between the imports and the US products were likely to confuse consumers.

Tax settlements

TWO NEW pilot schemes designed to speed up the vetting or "taxation" of legal bills are to be introduced by the English High Court after Easter. The schemes should lead to the successful parties in litigation receiving their costs from the losers more quickly.

Under the first scheme parties will be responsible for identifying the items in a bill which are in dispute, allowing taxation hearings to be confined to those issues.

The second scheme, known as "quick-form taxation", requires the consent of both parties but enables them to ask for costs to be taxed without providing a bill itemising costs and disbursements.

PEOPLE

BTR's increasingly cosmopolitan board

As the next generation of BTR high-fliers gets promoted into the top jobs, the main board of Britain's ninth biggest company becomes increasingly international in its composition. The latest recruit is Roberto Quarta, 44-year-old chief executive of BTR's sealing and control systems group.

Quarta, a US citizen, joined Worcester Controls in 1973 and first made his mark in BTR's valve group in the US and UK.

In 1989 he took on his present job. BTR says that he has, through acquisition, rationalisation and innovation, achieved good growth in the automotive and associated industries.

Quarta's promotion to the main BTR board comes less than three months after the appointment of Graeme Pearson, the 53-year-old Australian managing director of BTR Nylex, and reinforces the international complexion of BTR's executive team. Out of the seven executive directors, two are Australian, two are Americans, and Bob Faircloth, the chief operating officer, is a Canadian who has taken US nationality.

The latest promotion to the board has done nothing to stem the growing speculation about who will take over from Sir Owen Green. BTR's chairman confirmed again yesterday that he intends to retire this year and said that there would be an "election" to find his successor. He said that he would have no say in the choice of that successor.

The latest appointment increases the size of the BTR board to 12 directors and a chairman. The average age of the seven executive directors is 51; on average they have been with BTR for 18 years. The average age of the other five directors is 62.

Raingold to bolster LSE coffers

The London School of Economics has set up its own Foundation in a move to formalise fund-raising activities ahead of the so-called "Second Century" campaign, and hired Howard Raingold, who made his mark as Lincoln College Oxford's fund-raiser, as its first director.

In his four years at Lincoln, Raingold raised around £6m, from Old Members as well as from companies including Glaxo, SmithKline Beecham and Elf UK. "The college is small, with an Old Member population in the UK of just 3,000," he points out. "It recruits from minor public and grammar schools; we didn't have the Sainsburys and Rothschilds in our repertoire."

Raingold, who claims that learning to fund-raise is easier – and a lot more fun – than learning to drive, says the secret is "education, not begging. People want to belong."

He identified the third of Lincoln's Old Members who were on a salary over £30,000, and, by dint of a series of face-to-face meetings, persuaded around 70 per cent to give an average of £2,500 each. The campaign funded additional undergraduate accommodation – work on which has just started – as well as a series of junior research fellowships.

Raingold hopes to be able to do the same "with an additional nought on everything" for the LSE, which celebrates its centenary in 1995. The provisional target is to raise £40m over five years, but Raingold says much is to be decided before the official launch of the campaign, probably some time next year. With its bid for County Hall turned down, the LSE will now concentrate on improving the present Houghton Street site, as well as creating new research fellowships.

Raingold, 52, went to Cambridge as a mature student in the late 1970's and took a history degree. After three years as deputy director of Shelter, he spent a year studying international history at the LSE, and then taught at two schools before applying for the Lincoln job.

Lester May, 41, who worked for eight months in the public relations office of the Corporation of London on the campaign for the European Central Bank, but has otherwise been unemployed since leaving the Royal Navy in 1989, becomes deputy director. "The best thing about it is that I can stop job hunting for the first time in four years," he says.

Edgecombe in Central rescue

Edward Edgecombe has taken over as chairman and joint managing director of Central Stockbroking Services after the founder of the two-year-old Manchester-based operation Brian de Vecchis was barred by the Securities and Futures Authority.

Edgecombe, 57, who had been a shareholder but not a director of Central, was brought in after de Vecchis took £40,000 from the building society account of a 70-year-old widow who was a discretionary client of the firm, in order to meet capital adequacy requirements.

De Vecchis, 51, whom Edgecombe has known for 20 years, had had a 70 per cent share in Central. The embryonic broking firm has subsequently severed all connections with de Vecchis, and Edgecombe is now a 40 per cent shareholder of the recapitalised operation.

"After the first quarter, to the end of December 1992, we are most encouraged; we are in profit, representing a considerable turnaround from the loss for the previous full year which was in excess of £50,000" says Edgecombe explaining that the "big mistake" that had been made was that "after the first year, when they could see the cash flow rising, they started to spend it." Edgecombe says he has begun to cut aggressively into the overheads, achieving cuts of around £5,000 a month.

The new chairman, who points out that his new challenge of developing Central will mean he will be far too busy to retire at 60, has spent his career in the mutual fund industry. He left Royal Life Investment Management, where he had been a manager, to rescue Central. Previously he had been at Guinness Mahon Investment Management and earlier had spells with Capel Cure Myers, Thornton Management and GT Management.

While de Vecchis was known for his centralised style of management, Edgecombe has promoted Thomas Hatton to the position of joint managing director and secretary, and made Albert Kobierzynski finance director.

- Phillip Thorpe, the former deputy chief executive of the Securities and Futures Authority who has since October been working with Andrew Large reviewing London's financial services regulation, is to be the new chief executive of IMRO in succession to John Morgan.
- Robert Walther becomes deputy chairman of CML, the international arm of CLERICAL MEDICAL INVESTMENT GROUP.
- Keith Millar has been appointed chairman of GM Benefit Consulting Group, part GUINNESS MAHON. Duncan Howarth is chief executive. Kevin Clark and David Blaker are appointed directors of GM Benefit Consultants.
- Charles Kirwan-Taylor and Anthony Stranger-Jones have been made managing directors in the corporate finance division of BARCLAYS DE ZOETE WEDD.
- Catherine Wall has been appointed a regional director of BARCLAYS DEVELOPMENT CAPITAL based in Leeds.

Minimal into the invisible

William Packer reviews Robert Ryman at the Tate

The Robert Ryman retrospective, jointly organised by New York's Museum of Modern Art and the Tate Gallery, which opens its international tour with its showing at the Tate, is as important as it is timely. It is sure to puzzle quite as many as it will irritate, and as many again both at once, but it also comes at a moment when tba serious questioning of the received wisdom and prejudices of the avant garde has risen to the surface, to be aired on all sides.

We can safely disregard the nine-days'-wonder school of journalistic response, with its instinctive anti-modernism which amounts to a profoundly anti-art philistinism – all art was modern in its day. But what seems to have happened is that a number of the more serious commentators have come quite independently to a broadly similar conclusion. For all the creative energy and excitement generated by the modern movement, in all its forms, over the past century and more, for all the profound truths of human experience it has realised, and for all the very real creative achievements that have marked its course, we have come st last to recognise that when the avant-garde becomes academic, it is more than time to take stock. It should be the stuff of serious and constructive debate.

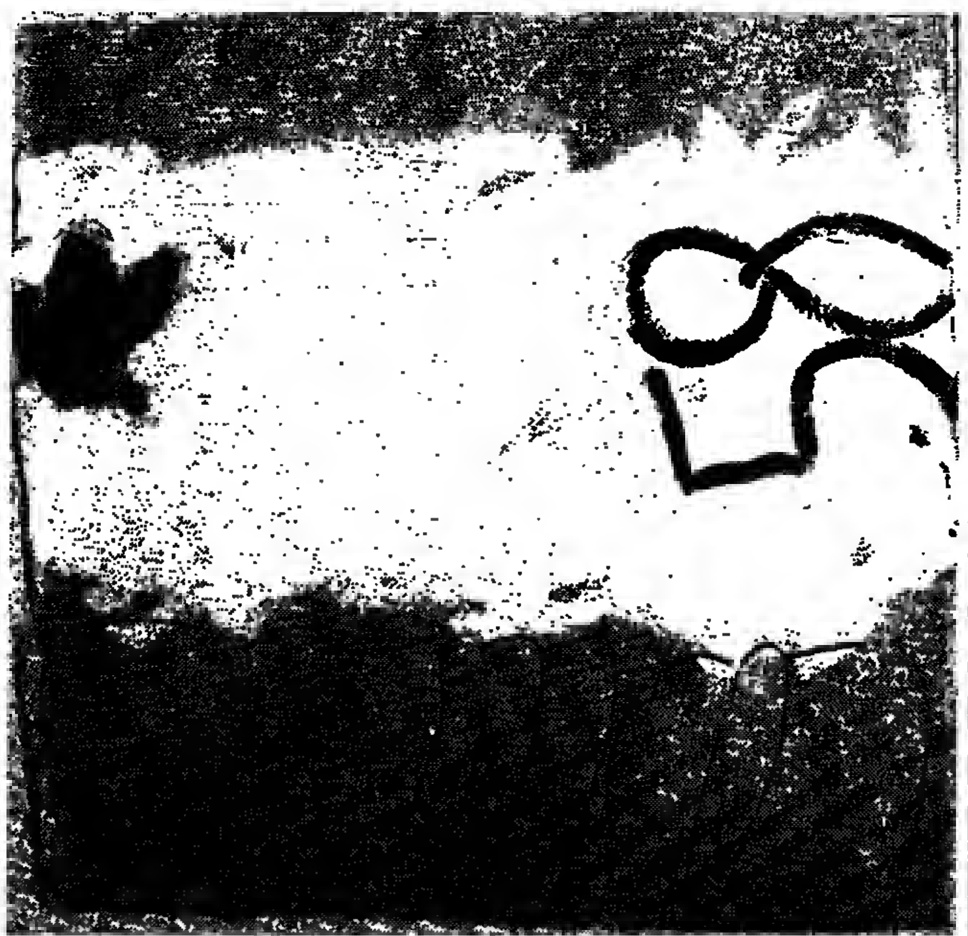
What must be challenged is the assumption that whatever may he identified as *avant-garde* is of itself important and significant: from which it follows that the common curatorial and international dealing view that all too patently finds interest, so far as contemporary art is concerned, only in art of such a kind, is dangerously narrow, partial and onfair. The real usefulness of this Ryman exhibition is that it is both wonderfully even-handed and particular, offering both sides of the question, the radical and the academic, in tbe clearest terms. Such considerations were doubtless far from the Tate's mind when arranging it, seeing the show simply as the celebration of an established and respected modern painter. But it is exactly what it should be doing, presenting the work at issue, holding the ring.

The justification for a great deal of modernist activity has always been not so much the actual production of great art, or of art at all, bnt rather as the necessary experiment and investigation into what Art is, or might be, and into tbe mechanics, actual or potential, of its achievement. What has always bedevilled the debate has been the mindless subsequent acceptance that tbe fruits of such activity, whatever else tbey are, are also, without question, works of art. Art is what artists do, or propose, and so it follows that s walk in s field, a bare canvas, a beer can, a proposal, a mere idea, may itself be elevated to the status of Art. It is a seductive heresy, hnt beresy still.

In Robert Ryman we have an artist who was sctively engaged with what was, in the 1960s, one of the central issues of painting. Following upon the more intuitive indulgences of abstract expressionism, the tougher questions were addressed, of what a painting was, and how to make it more itself. If an image is but an illusion, leave it out. If a painting is but a coat of paint upon a surface, leave it st that. And if variations of colour or surface-texture begin to seem arbitrary and unnecessary embellishments, then reduce the variation to uniformity, and drain the colour away until only white is left.

The most fascinating part of the show is indeed that given to this earliest phase in Ryman's progress – he is now 62 – when he was wrestling with these problems, simplifying and recomplicating his surfaces and, in the process, achieving results that were highly personal, inimitable, and often, in the sensuality of the paint itself, very beautiful. But just how reductive, how simple, could he afford to he? The deceptive aesthetic of simplicity too soon seduced him, and he has been playing the game of elegant, pseudo-radical simplicity ever since, sustained it must be said (and good luck to him) by the enthusiasm of the moseums and the market place.

Successive stripes of paint cross the canvas, leaves inevitably a record of every insensible variation of touch and pressure. Every painter who ever primed a canvas knows the wonderful thrill of that first loaded brush, and has played the game of leaving it that, or just one more, and just another – hut it is only a game. We all know that to put anything, anything at all, on a bare white wall is to invest it for the moment with an aura of cosmic significance. A hlank sheet of paper, four pins to describe a square, a length of aluminium beading – to go through the later rooms of this retrospective is to see the radical minimalist become but an aesthete working his endless decorative variations, and wondering to himself: whatever next? A sad husiness.



Robert Ryman's 'Untitled', 1958: one of the few pictures you can actually see

★

The Lisson Gallery's *Out of Sight: Out of Mind* is another salntary and entirely justifiable historical exercise, but again the fundamental issue is inescapeable. It is an ambitious group show which deals rather more comprehensively with the graphic, photographic and cerebral manifestations of 1960s and early 1970s conceptual art than *Gravity & Grace*, at the Hayward, has lately done for sculpture of the time.

From Carl André and Art & Language to Bob Law and Bill Woodrow, it offers a stimulating and enjoyable trawl through tbe fashionable and technical preoccupations of the time, s ferment of ideas and possibilities. But as Art? Bruce Maclean st his most ironical, with photographs of his evaporated puddle, and of himself as Henry Moore's "Fallen Warrior", says it all.

Robert Ryman: Tate Gallery, Millbank SW1, until April 25, then on to Madrid, New York, San Francisco and Mineapolis; sponsored by the Horace W. Goldsmith Foundation and the Patrons of New Art. "Out of Sight: Out of Mind": Lisson Gallery, 67 Lisson Street NW1, until April 3

Theatre in Washington/William Weaver

The African Company presents Richard III

One of the three theatres of Washington's adventurous Arena Stage complex, the fan-shaped, 500-seat Kreeger is currently drawing capacity audiences with a new play by Carlyle Browo entitled *The African Company Presents Richard III*.

This is a lively and moving drama based on a historical situation: the existence in New York, around 1831, of a troupe of black players led by a retired steward named William Henry Brown.

First in a tea garden, behind Browo's house, and then in a larger site, this company played before large, chiefly black audiences and one of the staples of the African Company's repertory was Shakespeare. But in the autumn of 1831, the eminent English tragedian Junius Brutus Booth paid a visit to the prestigious "white" Park Theatre – and both houses simultaneously announced new productions of *Richard III*, in direct if somewhat unequal competition.

The Park was operated hy tbe canny, unscrupulous impresario Stephen Price (known to actors, because of his avarice, as "Half Price"). Determined to destroy hle black rivals, the manager used his political influence to have their theatre closed and their company arrested. The company, however, survived this setback and, a few years later, produced a new play called *The Drama of King Shotaway* based on the story of the black Carib chieftain Chatoyer, killed in an insurrection.

In reconstructing these events Carlyle Brown first did considerable scholarship; but, inevitably, since black history in America is full of tantalising gaps, he rightly made effective use of his own poetic imagination. The actors of the African Company – waiters or domestics by day – had their private stories, which Brown reinvents with insight and wit. But their stories fit also into the larger history of the US and of racial conflict there.

The chief black actor of the 19th century company was a waiter named James Hewlett (movingly played by Leon Addison Brown), whom tbe playwright makes a mercurial, moody, mordant victim. In an early scene, Hewlett says "Coloured people act all the time." Their submission, their obedience, the persona they offer their white masters is all a performance. Later, the same Hewlett does an ironic imitation of the white man's cliché black man, dancing and singing with searing pain.

Carlyle Brown is fortunate in his cast and in his director, Tazewell Thompson, who has carefully gauged the behaviour of the characters according to whether they are alone, among themselves, or in a racial confrontation. In addition to Leon Addison Brown, the young actor Jonathan Earl Peck provides a full length, three-dimensional portrait of the black impresario William Henry Brown; mettlesome, resourceful, human.

And, dominating the stage st his every appearance, Wendell Wright offers a generous, irresistible Papa Shakespeare, a Falstaffian figure still close to his African roots, a man wise in ancient lore and sharp in his witty, compassionate guile. It is a part that could easily have lapsed into the quaint, into clownerie. Instead, it has an impressive nobility.

Gail Grate is totally convincing, both as the alert maidservant Ann and, in her other costume, as Richard III's queen. David Marks is a sinister yet entertaining Constable-Man (a clever touch of the director to give him an Irish accent, indicating the complex ethnic mixture of 19th century New York).

A simple wooden construction by Douglas Stein suggests a port warehouse or the backstage of a theatre, with the hint of a garden beyond; Paul Tazewell's costumes – whether for Carlyle Brown's characters or for Shakespeare's – are convincing: simple, deliberately uncolourful street-clothes and makeshift velvet, beplumed regality. The lighting devised hy Allen Lee Hughes is subtle and, particularly in the final, gaol scene, poetic.

Concurrently with *The African Company*, in its smaller theatre in the round, Arena Stage is preseoting a new production (and new translation) of Pirandello's *Cosi è (se vi pare)*, now called *It's the Truth (If you think it is)* staged hy the Romanian Liviu Ciulei.

It is a confident, competent staging, though the acting is uneven. Following the Italian dramatist's clues, Ciulei sees all the characters except the three principals as grotesques, a chorus representing public opinion, received ideas, and he has some delightful accomplices in Halo Wines (as Amalia) and Trazana Beverley (Signora Sirelli). Richard Bauer plays Pirandello's alter ego Lamberto Laudisi with the proper cynicism and detachment, but there is a sameness in his drawing delivery that becomes finally tiresome.

In the crucial "mad" roles, Tana Hicken (Signora Frola) and Henry Strozier (her son-in-law Ponza) strike just the right note of reasoning desperation. In the small role of the butler, Teagle F Bougere invents a brief comic turn that affords an amusing variation on Pirandello's theme of appearances versus subjectivity.

Rock/Andrew Clements

Eric Clapton

Scarcely had one of rock's living legends shambled out of town for the oext stop on his endless tour than another of the great and the good started his annual residency at the Albert Hall; this is the seventh successive year that Eric Clapton has held court there before his ageing admirers.

As usual the show is effortlessly professional and wonderfully executed; Clapton takes no chances. He has surrounded himself with an ontstanding band – a five-piece ootfit, with three brass drafted in for the last lap – which includes Andy Fairweather Low, ex-Little Feat drummer Richie Hayward, and Joe Cocker's pianist Chris Stainton.

This year there is only one programme for all 14 concerts; "rhythm and blnes" is what the tickets promise, and that is precisely what the punters get, with rather more of the latter than the former. If at least 50 per cent of the audience was waiting him to launch into "Layla" or "Wonderful Tonight" what they got instead was a spin through the history of the blues from the 1920s to the present day. It begins with Clapton alone playing acoustic guitar against Stainton's piano and ends two hours later with his peerless electric sound cutting through the full band like a surgeon's knife.

Nevertheless it took a while for the temperature to begin to rise. The first dozen songs, as Clapton moved through Robert Johnson, Big Bill Broonzy, Muddy Waters and Jimmy Rogers seemed respectful rather than engaged, and it was only Fairweather Low, seizing his one solo opportunity on Elmore James's "Coming Home", who really took hotd of the material and squeezed hard. Clapton then took the hint; a Howling Wolf group full of heavy dark guitar work, began the revival and numbers by Bobby Bland and Freddie King finally received the full treatment.

The audience seemed to go home happy enough, though the irony of this immaculatety turned-out white musician in his designer suit singing Bessie Smith and Robert Johnson should have hit a raw note somewhere in the hall.

Theatre

'Elektra' according to Ezra Pound

Translation flowed near Ezra Pound'e heart. For more than 50 years it occupied him, and enriched his other work. It floods through his Cantos; his versions of Greek, Latin, French, German, Italian, Anglo-Saxon, Provençal and Chinese poetry amount to a large part of his output. And his 1954 rendition of Sophocles's tragedy *Women of Trachis*, as bas long heen recognised, is in the vanguard of radical translation, with its modern colloquial energy, its freedom from conventional grammar, and its patches of speech printed in upper-case. (See, for example, Herakles's last words: "Come at it that way, my boy, what/ SPLENDOUR, ALL COHERES.")

Poond had already tackled another Sophocles play, the *Elektra*, in 1949, while first recovering from nervous breakdown and mental instability in St Elizabeths Hospital, Washington D.C. He undertook it with enthusiasm. But he put the translation under the name of his assistant Rudd Fleming, an American professor and novelist, for his pro-fascist war record had left him in a legal situation then so precarious that he did not wish to be known as sane enough to be able to translate Sophocles. Only in 1989 was it published as Pound's version – and in 1990 in the UK (Faber & Faber).

Last week, the Guildhall School of Music and Drama gave this *Elektra* its first British staging. Regrettably, the production, directed by Chattie Salaman, went overboard in trying to reveal the Pound in the play. The setting is St Elizabeths; Pound and other pyjama-clad inmates turn into the main Greek characters, with white-clad medics doubling as chorus. Before the play starts, the inmates softly keep asking Pound (as he types) "What part ob yu iz deh poEM?" (a line he put into Canto 104). Salaman took this concept from Richard Reid's scholarly introduction to the Faber edition, and then added yet further complexities.

The characters, though usually donning Greek-style attire and make-up, spoke in accents from the American South. This helps, for those are the main accents of Pound's text. How else could you deliver such lines as "This is what we're agoin' to do,/ listen sharp and check up if/ I miss any bulseyes."? (Also, to us, this makes a connection to O'Neill's Southern *Mourning Becomes Electra*.)

But why did Salaman sometimes dress Orestes & Co. like folk from *The Good, the Bad and the Ugly*, with theme music to match? And why split the role of Elektra in two – one actress black, dressed in white, one white dressed in hlack? No interesting dichotomy in the role is revealed.

The members of tbe young cast managed their American accents, and their extensive amount of singing and chanting, pretty well. They could not always make Pound's colloquialisms sound serious; it would take a mature actor to bring off the sober irony of Orestes's "You won't have any more trouble with Mother" after his matricide. But, in most respects, they revealed the difficutt text to advantage. Pound's metres made their full impact: for which Salaman and the composer, Alessandro Timossi, (working in a wide range of styles) deserve praise.

Pound's *Elektra*, though it remains highly eccentric, hrings out the neurotic urgency in Sophocles's drama. (Electra: "I'm not dead yet, it's a dirty life/ hut my own./ It annoys 'em. That honours the dead,/if the dead get any joy out of *that*." And "Slave-driver more than a mother I'd call you/ and a rotten life I have with you and your fellow-feeder/ put all the low johs onto me"). CUT> If only the production had tried to add fewer layers of meaning, and to tell us less about Pound and more about *Elektra*, it would have been truer to both Pound and Sophocles.

Alastair Macaulay

'Killing Him': a bit of a twitcher

The first voice is that of Norman Lamont, the chancellor of the exchequer, sounding remarkably resonant about the British government's determination to defend the value of sterling within the exchange rate mechanism of the European monetary system. The only seating place on stage is on top of a large bundle of apparently unread copies of the *Financial Times*: what is known in the trade as returns.

The chancellor was speaking before September 16 last year, a date generally though not universally regarded as Black Wednesday. In the play, the characters call it White Wednesday, not because they have an alternative economic policy based on a floating pound, hut because they did well out of the speculation.

Between them they picked up about £90m.

Killing Him is written and directed by Crispin Whittel, co-founder of a relatively new company called Cambridge Nights. The striking fact is not so much the quality of the play as the subject. Can it really be true that you fill a pub theatre in Camden Town on a Saturday night with jokes about the Bundesbank?

The answer is yes. Actually, the best part of the play has nothing to do with currency dealing. It is based on a serious bird-watcher or "twitcher" called Kevin (played hy Will Keen) who takes a more long-term view of the world than the speculators. Remember, however, that Norman Lamont is also a bit of a twitcher: there may be some deeper meaning here, maybe not.

This is not the only obscurity. It is not obvious, without being told, that the girl in the play (Nicola Walker) used to work as a spy for the old East German regime. That is why she sleeps with bankers and knows the secret wishes of the Bundesbank.

Some of the basic techniques of story-telling still have to be learned, but here at least is a piece that enters new territory. So far as I can make out the attitude to currency speculation is morally neutral.

Malcolm Rutherford

Etcetera Theatre Club, London N1 until March 7, 9.30 pm (not Mondays). (071) 482 4857

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERTS
The main evant thia week at tha Concertgebouw is Bernard Haitink's reunion with the Royal Concertgebouw - his first concerts with the orchestra sinca 1988, when he resigned after more than a quarter-century as muaic director. Tomorrow, Thurs and Fri, Haitink conducts works hy Berlioz, Ravel and Mahler. Other events: a Brahms concert with Rheinland Pfalz State Philharmonic Orchestra tonight, s cello recital hy Natalia Gutman on Fri, a concert performance of Gluck'a Alceste on Sat afternoon (conducted by Arnold Oestman) and a King's Singers concert on Sat avaning. Next Mon: Shirley Bassey (6716 345). Sat at Beurs van Berlage: Natherlands Baroque Orchestra plays works by Boccherini (6270 466)
OPERA/DANCE
A Dulch National Ballet mixed bill, with choreographies by Balanchina, Ted Brandsen and Martha Graham, runs daily except Sat and Mon till March 3 at Muziektheater. Next Mon: first night of Pierre Audi'a new production of Monteverdi's Ulisse, in repertory till March 30 (6255 455)

BRUSSELS

Palais des Beaux Arts Antoni Ros-Marba conducts Belgian National Orchestra on Thurs evening and Sun afternoon. Garhard Oppitz is soloist in Dvorak's Piano Concerto on Thurs, and Philippe Hirschhorn in Brahms' Violin Concerto on Sun. Naxt Tues: Maria Joao Pires plays Mozart. Naxt Thurs and Fri: Brussels Choral Society in Mahlar'a Second Symphony (507 8200)
Monnaie Philippe Boesmans' new opera Raigen, with a libretto by Luc Bondy after Schnitzler, opens on Sun, with further performances on March 2, 4, 5, 7, 9, 10, 12, 13. Sylvein Cambreling conducts a ataging hy Bondy, designed hy Erich Wonder, with e cast including Françoisa Pollet and Solveig Kringlebotn (219 6341)
Chapelle Royale Tomorrow at 19.00: Elinor Bennett performs harp muaic end folk songs from Celtic countries, including penillion singing and medieval harp music from Wales, plus works by William Mathias end John Parry (Advance booking from Walaa European Centre, 502 5909)
Théâtre National The next production is Bettina, a Goldoni-based play directed by Jean-Claude Berutti, opening next Tues (217 0303)

PARIS

DANCE/OPERA
Palais Garnier Tanztheater Wuppertal presents Gluck's Orfeo choreographed by Pina Bausch, daily till Sat. March 4-6: young dancars of Opéra Ballet (4017 3535)
Châtelet La traviata: Antonio Pappano conducts Klaus Michaal Gruber's production, with Giusy Devinu and Veronica Villarroal alternating in title role. Final performances tomorrow, Thurs, next Mon and Tues (4028 2840)
Opéra Bastille Les Contes d'Hoffmann: John Nelson conducts Roman Polanski's production, with Francisco Araiza, Sumi Jo, Mara Zampierl and Jean-Philippe Lafont (final performances tomorrow and Sat). A new production of Benvenuto Cellini opens on March 6 (4001 1616)
Théâtre de la Ville Ute Lemper, daily till Sat (4274 2277)
Châtelet Bartok cycla: Philharmonia Orchestra is tonight conducted by Heinz Holliger, with piano soloist Peter Donohoe, end on Fri by Ivan Fischer, with violin soloist Thomas Zehetmair. Sun: Ensemble InterContemporain (4028 2840)
Salle Pleyel Tonight: Marek Janowski conducts Orchestre Philharmonique de Radio France in works by Beethoven and Franck, with violin soloist Frank Peter Zimmermann. Tomorrow and Thurs: Emmanuel Krivine conducts Orchestre de Paris in Mozart, Rakhmaninov and Rimsky-Korsakov, with piano soloist Michel Béroff. Fri: Michel Corboz conducts choral works by Honeggar, Martin and Mozart (4563 0796)
Salle Gaveau Tomorrow: Anatol Ugorski piano recital. Sat afternoon: François La Roux and Nash Ensamble in music by Bliss, Milhaud, Raval and Poulanc (4230 2308)
Théâtre des Champs-Elysees Thurs: Neeme Järvi conducts Orchestre National de France in works by Danisov, Pärt, Shnitke and Prokofiev, with violin soloist Gidon Kramar (4720 3637)
Centre Pompidou Thurs and Fri: David Robertson conducts Ensemble InterContemporain in works by Suzanne Giraud, Klas Tortensson and Steve Reich (4260 9427)
JAZZ/CABARET
Lionel Hampton Jazz Club American hlues guitarist Luther Johnson and his Magic Rockers, daily till March 6, music from 22.30 (Hôtel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

ZURICH

Opernhaus Tonight: Nikolaus Harnoncourt conducts Ruth Berghaus' new production of Der Freischütz, with Inga Nielsen, Gösta Winbergh and Matti Salminen (also Thurs and Sat). Tomorrow: ballat mixed hill, with choreographies by Nijinski, Bernd Bianert, Arthur Saint-Léon and Jorma Uotinan. Fri: Harnoncourt conducts revival of John Dew's production of La clamanza di Tito, with Lucia Popp and Ann Murray. Sun afternoon: Bianart'a production of Nutcracker. Sun avening: Il barbiera di Sivigila. Mon: Chriata Ludwig aong recital (262 0909)
Tonhalle Tonight: Michael Stern conducts Tonhalle Orchestra in works by Prokofiev and Stravinsky, with violin soloist Boris Belkin. Sun: Belkin, accompanied by Michaal Dalberto, plays violin sonatas by Brahms, Mozart, Schubert and Prokofiev. March 3, 5: Mitsuko Uchide (206 3434)

CHICAGO

Orchestra Hall Thurs, Fri, Sat and Sun: Franz Walsar-Möst conducts Chicago Symphony Orchestra in Mendelssohn'e First Piano Concerto (André Watts) and Schumann's Fourth Symphony (435 6666)

WASHINGTON

KENNEDY CENTER
Concert Hall Tonight: Neville Marriner conducts National Symphony Orchestre in works by Berlioz, Respighi and Rimsky-Korsakov. Thurs, Fri afternoon and Sat: Marriner conducts Sibelius' Violin Concerto (Leila Josefowicz) and Holst's Planets (202-467 4600)
Terrace Theater Tonight: James Tocco piano recital. Thurs: Academy of St Martin in the Fields String Octet (202-467 4600)
Opera House Tomorrow evaning and Sun afternoon: Turandot with Eva Marton (repeated March 2, 5, 8, 13). Sat: Christopher Kaane conducts first night of The Cunning Little Vixen, with Mary Mills in title role. Bill Brydan's Covent Garden production, sung in English, is restaged by Michael Beauchamp. Further performances March 1, 3, 6, 9, 12, 14 (202-467 4600)
Baltimore Symphony Orchestra Fri and Sat avening, Sun afternoon at Joseph Meyerhoff Symphony Hall: David Zinman conducts Beethoven's Fourth Piano Concerto (Angele Hewitt) and Sixth Symphony (410-783 8000)
THEATRE
Unidentified Human Remains and The True Nature of Love: Brad Fraser's graphic account of relationships both healthy and not, in a production hy Dorothy Neumann which includes violence and nudity. Daily till Sat (Signeture Theater 703-685 4331)
JAZZ/CABARET
Blues Alley Jazz Supperclub Betty Carter, vocals, daily till Sun. Next Mon and Tues: John Scofield Quartet with Joe Lovano, guitar/sax (1073 Wisconsin Ave, in the alley, 202-337 4141)
Barns of Wolf Trap Tomorrow: Carlos Barbosa-Lima, classical guitar. Thurs and Fri: David Wilcox, acoustic folk music. Sat: Jonathan Edwards, acoustic-based music. Next Tues and Wed: Cleo Laine and John Dankworth (703-255 1916)

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Sky News: Financial Times Reports 1330; 2030

Reform club's new member

Privatisation in Ukraine has begun at last, write **Edward Balls** and **Chrystia Freeland**

As he brought down the hammer to open the first privatisation auctions in Ukraine, Volodymyr Pylypchuk, chairman of the parliamentary commission on economic reform, joked that his historic wooden mallet could eventually be worth more than any of the small businesses on sale.

Yet last Saturday's modest auction of 17 restaurants and shops in the western Ukrainian city of Lviv – out of a total 4,000 small state businesses in the city – was the most concrete sign yet of the government's intentions. It showed it is serious about transforming one of the most conservative of the former Soviet republics into a market economy.

If market reforms succeed, Ukraine could form a stable and prosperous buffer state between eastern Europe and Russia. But if they fail, the region could be destabilised as nationalist forces in Ukraine and Russia, both of which possess nuclear weapons, stoke up simmering territorial and military disputes to distract the public's attention from economic collapse.

Ukraine's economy certainly needs radical change. The most populous republic after Russia, it has a budget deficit equal to 36 per cent of gross domestic product and an accelerating inflation rate of more than 50 per cent a month (13,000 per cent a year), which have undermined its fledgling new currency, the coupon.

Last November, parliament granted Ukraine's new government the authority to rule the crumbling economy by decree. The cabinet has responded with a stream of reforms to liberalise prices and cut the budget deficit. Food prices tripled at the end of December as subsidies were cut, and the number of people entitled to social welfare payments has been reduced from 20m to 2m.

These tough measures have convinced sceptics that the prime minister, Leonid Kuchma, believes in economic reform. But Ukraine's task is even more difficult than that of Russia, where reforms appear to have stalled, because Ukraine faces obstacles to economic change from outside as well as within the state.

Ukraine remains heavily dependent on oil from Russia and trade with the other former Soviet republics, which together accounted for more than 80 per cent of Ukraine's trade and more than a third of total industrial production before the collapse of the former Soviet Union. But economic relations with Russia have deteriorated.

The breakdown of rouble-financed trade, once Russia stopped accepting non-Russian roubles last summer, has left Ukrainian enterprises with Rbs426bn in unpaid bills from Russian concerns, and no convertible currency in which to conduct trade. Industrial output fell by 20 per cent last year. Meanwhile, the price of Russian oil has increased by 3,000 per cent over the past year, while consumer prices rose by 2,500 per cent.

Even at these higher prices, Kuchma says that Ukraine will not be able to obtain enough oil this year. Last week the Russian prime minister, Viktor Chernomyrdin, announced that Ukraine would get only 15m tonnes of oil in 1993, less than half last year's level. In addition, Russia has raised prices for natural gas and threatened to cut off supply if Ukraine does not pay up.

The government also faces powerful domestic obstacles to progress. In recent years the economy has been hijacked by Ukraine's industrial elite. Factory managers have sold off company assets for personal profit. Last year, for example, they illegally re-exported 8m tonnes of state-supplied oil. They also managed to get Rbs1,325 billion of unbacked monetary credits in order to pay wages, a rise of 800 per cent in the stock of outstanding domestic bank credit compared with 1991, driving Ukraine into hyperinflation.

"Opposition to commercialisation comes from officials who have very specific economic interests which they are protecting," says Viktor Pynzenyk, minister of the economy and architect of the reforms.

Yet Ukraine hopes for one compensation from its sluggish embrace of the market. By beginning reforms a year later, it believes it can learn from Russia's failure to control inflation and stimulate output.

The Ukrainian government argues that Russia put too much faith in stabilisation and the promise of western aid, without confronting the more reactionary ex-Communist forces in the state bureaucracy who still control the economy.

Ukraine's reformers, working closely with World Bank officials in Kiev, believe that the key to success is liberalisation and small-scale privatisation in order to bypass the bureaucrats. Without these measures, the government says it will be unable to meet its target of bringing inflation down to between 3 and 4 per cent a month by the end of this year.

Agriculture is to be privatised first: 13m Ukrainians are already landowners and produce 25 per cent of total food consumed in Ukraine. Reform-minded regions will be encouraged to pursue rapid privatisation of state property, following Lviv's example.

To enforce reform outside Kiev, the government is preparing a package of decrees that will bypass the local councils dominated by ex-communists, by bringing regional governments directly under the control of the cabinet. The directors of Ukraine's 6,000 large state enterprises, at present answerable only to workers' collectives, will have to sign employment contracts with the state in the first quarter of this year.

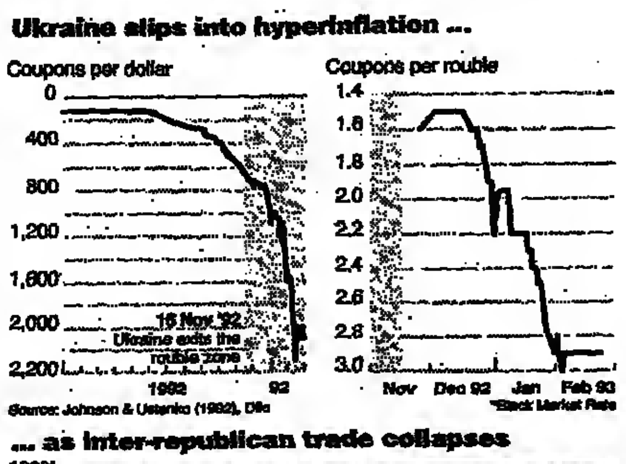
Yet even if Kuchma, himself a former factory director, can control conservative regional officials and industrialists, his reforms are unlikely to succeed if trade fails to revive and Ukraine cannot secure a reliable, affordable energy supply.

Kuchma says restoring trade links with former Soviet republics is now a priority and supports moves to establish a new payments union for inter-republican trade. But Ukraine's leaders believe that Russia's motives in raising energy prices and restricting oil supplies reflect not only economic self-interest but also a political desire to bring Ukraine to heel.

Ukraine's oil quota this year is 1m tonnes less than Russia has promised Belarus, which is one fifth Ukraine's size but has acceded to all of Russia's political and military demands. Russia's deputy prime minister Viktor Shokhin said last week that Russia will tie the continued supply of fuel to military and political conditions, including stationing Russian military bases in Ukraine.

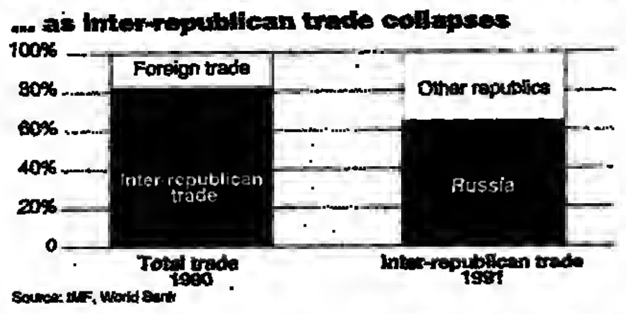
"I cannot understand the Russian position," Kuchma said last week. "It can only be seen as pressure on Ukraine, motivated by somethiog beyond economic considerations. This is a conflict in which there can be no victors."

Ukraine slips into hyperinflation ...



Source: Johnson & Ustenko (1992), Cits

... as inter-republican trade collapses



Source: IMF, World Bank

Joe Rogaly

No need to lose our heads

There is no need to panic. Britain is not in the grip of the spirit of evil, although a casual visitor, picking up a paper at the airport, might be forgiven for thinking so. Law and order has not broken down, although the prime minister and the home secretary are beginning to speak as if it has. In most places, most of the time, the streets are safe, although anecdotal evidence suggests that they are not. We are in no danger of being torn to pieces by marauding gangs of child criminals, led by new Lords of the Flies, although that is what is intimated by some of the responses to last week's tragic murder in Bootle, Liverpool, of two-year-old James Bulger and the subsequent, shocking arrests of two 10-year-old boys charged with the crime.

As to the latter case, much is surmised, but little is known. A prosecutor's account of what happened may not be available before March 3, when the boys are next due to be brought before the court. Meanwhile, there is no indication that the horrific abduction and murder of which they have been accused is part of a general pattern. To say or imply, as many have, that this dreadful event is symptomatic of what is wrong with British society is cheap and easy, but almost certainly wrong.

Television pictures of two boys leading their tiny victim out of a shopping precinct have aroused strong emotions in most of us. They have also given a new, and unfortunate, impetus to the knee-jerk Right in its approach to all juvenile crime. To be sure, whoever killed baby James should be locked up and the key thrown away, but that has nothing to tell us about the generality of young offenders, most of whom steal from cars or houses. Putting a 15-year-old car thief into an old-fashioned (and currently obsolete) approved school would guarantee that the Artful Dodger would quickly become Bill Sikes.

No, I have not fallen into the hands of Hampstead do-gooders or, worse, social workers. As the two larger political parties are now agreed, persistent young offenders *should* be incarcerated, if only to protect their potential victims. That, however, is the easy part. The far more difficult task is to isolate the causes of crime, and to encourage local police forces, teachers, parents, employers – everyone – to take whatever steps seem likely to prevent that youngster from going wrong in the first place. For that you need social workers.

Mr John Major appears to find this difficult to grasp. According to an account in the Mail on Sunday, the prime minister told his interviewer that "society needs to condemn a little more and understand a little less". This must rank as one of the more unfortunate pronouncements that Mr Major has made, in tune with Lady Thatcher's "there is no such thing as society". Disapproval of criminal behaviour is certainly necessary. We should condemn wrongdoing before breakfast, lunch and dinner. But wilfully understand less? The prime minister no doubt meant the excessive understanding that implies forgiveness of all misdemeanours, as in the song, Gee, Officer Krupke, by the "disturbed" young Jets in West Side Story. If so, he should have made himself clear.

Putting a 15-year-old car thief into an approved school would guarantee that the Artful Dodger would become Bill Sikes

Mr Kenneth Clarke is equally Delphic. He is selling bits of his soul for a few right-wing credentials, using phrases such as – did I hear him right? – "nasty little pieces of work". Like Mr Major, the home secretary has been jolted into such language by the appearance on the government's right flank of Mr Tony Blair. Mr Blair is making a simple, but potentially devastating political point. The Conservatives have been in office since 1979. Between 1980 and 1991 the number of notifiable offences recorded by the police doubled. The Tories may have captured the market for rhetoric about being tough on crime, but their methods have not worked. Mr Blair therefore offers a new chant: Labour is tough on crime and tough on the causes of crime.

There is a certain amount of hokum in this. The statistics for recorded crime are notoriously unreliable. Surveys suggest that three or four times as many offences are committed as are put in the book by the police. The propensity for victims to report and the police to record particular crimes varies from place to place and year to year. We do not *know*, although many of us *feel*, that the crime rate has increased sharply. Our politicians correctly sense an upsurge of public disquiet about wrongdoing in general and, for the moment, juvenile offenders in particular.

Mr Blair has responded to this with greater ingenuity than either the prime minister or the home secretary. He has attempted to neutralise the argument that Labour is "soft on criminals" by attacking the government for not providing enough "secure places" for young offenders. At the same time, Labour says, "it is clear that drugs, drink, glue sniffing and truancy increase the size and seriousness of the crime problem".

In a thoughtful paper the party suggests practical improvements in the present arrangements for handling young criminals. Many similar ideas are, or soon will be, in Mr Clarke's mind. Labour says its first purpose is to "stop youngsters getting into trouble", its second to divert first offenders from a life of crime.

The theme has been taken up by another Labour politician, Mr David Blunkett, the shadow secretary for health. He argues for "full-time community service for, say, a nine-month period for every young person between the ages of 16 and 21". Such a demand for a peace corps would certainly reduce crime, since most of it is committed by teenage boys. It is an idea all parties should work on, with some urgency.

Mr Blunkett's paper for Labour's commission on social justice contains several suggestions as to how young people might be propelled into work. "Those committed to a new 21st century welfare state," he says, "have to cease what has been seen as paternalistic and well-meaning indulgence of the sub-culture of thuggery, noise and nuisance, and anti-social behaviour, often linked with drug abuse."

Labour has correctly perceived that victims must be protected from criminals. Everything that might prevent young people from turning to crime must be tried, but there will be failures, persistent recidivists. They have to be locked up, although there will be a price to pay. Meanwhile, there is no need to lose our heads.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Talent going to waste

From R C Mitchell-Hegge.

Sir, Your article ("Sharing oot the available work may top the political agenda", February 18) should provoke a wider debate. Why does the UK allow such wastage of managerial talent, particularly in the field of export financing, at a time when the country is desperate to improve its trade imbalance? As a formerly redundant banker, I will testify for the great nnmbers of bilingual, marketing-experienced bankers who would leap at the opportunity to provide their services part time within a DTI-sponsored scheme.

This could be structured specifically to help small businesses coping with trade financing and other difficulties.

R C Mitchell-Hegge,
29 Cloncurry Street,
London SW6 6DR

Chancellor should not ignore damage done by ACT

From Mr Howard Davies.

Sir, Your leader, "Budget for the supply side" (February 19), argues that the chancellor should not take action to relieve the double taxation of profits which arises from the operation of the ACT system, because the current arrangements lower the incentive for corporations to invest abroad.

Fortunately, as he made clear in his 1992 Budget speech, Norman Lamont does not share your view that the current system is satisfactory.

It is true that a company paying surplus ACT is encouraged to increase its taxable profit in the UK. But profit can be increased in the short term more quickly by reducing costs than by investment. So companies with surplus ACT will find tax advantages in moving administrative functions and research and development facilities outside the UK, rednciug employment (and associated tax revenue) and eroding our manufacturing base.

That is now happening. It is why the chancellor should not ignore the problem of "surplus ACT" and should address it in his forthcoming Budget, before more damage is done.

Howard Davies,
director-general,
Confederation of British Industry,
103 New Oxford Street,
London WC1A 1DU

US must plug the sinking ship

From Mr Erik N Dunleavy.

Sir, The US and its perennial budget deficits can be likened to an overloaded ship with a hole in the bottom. President Clinton's tax increase amounts to starting up another bilge pump, bnt his temporary stimulus means it is running backwards and pumping more water into the ship. Unfortunately, his spending cuts only reduce the hole from 500 cm to 300 cm. This isn't going to save the ship. For those who look hopefully to the small pick-up in the economy, I would point out that even a sinking ship occasionally rides a wave; however, it frequently founders in the next trough.

We, the people, must insist on fixing the hole permanently with the balanced budget amendment and the line item veto. There is no time to lose; the foreign crew who have been fueling the pumps with their loans may take to the lifeboats.

Erik N Dunleavy,
141 Centre Island Road,
Oyster Bay,
NY 11771
US

Crucial point

From Ms Elizabeth Balsom.

Sir, Your account of the financial restructuring at Mrs Fields (UK company news, February 17) omits one crucial point: wby did an American company, which, to the best of my recollection, at the time of its stock market debut had no UK outlets, choose to list on London's USM rather than in New York, with all the complications stemming from a share price in pence and a balance sheet and income statement in dollars?

The obvious answer would seem to be that the USM's disclosure requirements were less onerous, making life easier for companies, but more difficult for investors. If shareholders had stopped to ask that simple questioo, they might not have got involved. Institutions should have known better.

Elizabeth Balsom,
16 Coalecroft Road,
London SW15 6LP

Fuel tax no answer road congestion, and tolls maybe need sweetener

From Mr Giles Keating.

Sir, Following my article "Absence of road pricing takes its toll" (Personal View, February 11), Patrick Barr and B W Barton (Letters, February 15 and 17) suggested that higher fuel dnties would be better than tolls.

Fuel duties are a reasonably good levy on pollution, but they bear little relation to congestion and are unfair to country drivers. I could use 50 litres of petrol driving on empty rural roads in Scotland and cause no congestion at all, while just 10 litres used in the rush hour in Londoo or on the M25 motorway would add to the tailbacks.

With electronic tolls, peak-hour drivers would pay a surcharge over normal rates, and there would be discounts at night. That would cut congestion, so bus companies and delivery companies would need fewer vehicles. Benefits like that offset the costs to the economy of collecting tolls.

Christopher Raymond (Letters, February 18) argues that these benefits must be balanced against people's dislike of paying tolls. Maybe a sweetener is needed: every household could be given £1,000 worth of shares in the road companies.

There would still be some £50bn of privatisation left for the government.

Giles Keating,
chief economist,
Credit Suisse First Boston,
2A Great Titchfield Street,
London W1P 7AA

Squeezed out

From Ms Jeannette Aspden.

Sir, f recently attended a hearing of the US House of Representatives' Committee on Space Science and Technology, Subcommittee on Technology, Environment and Aviation. The subject of the hearing was the National Competitiveness Act of 1993. The orange juice that I bought in the cafeteria of the Rayburn Honse Office Building was a product of Brazil. Is there a message here?

Jeannette Aspden,
443 Sked Street,
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New Jersey 08534

Example of Bophuthatswana should not be ignored in S Africa

From Mr Anthony McCall-Judson.

Sir, Your editorial ("Buthelezi's role", February 15) welcomes the agreement in outline that has now been reached in South Africa, but it should have drawn attention not only to the importance of Chief Buthelezi but to the role of Bophuthatswana. The way to unlock the potential of South Africa's complex multi-ethnic and linguistic society will be via a federal structure. We say such a federation must ensure strong regional freedoms, simply to survive, with power flowing from the bottom up, not from the top down.

Bophuthatswana will play a key role. Your Johannesburg correspondent, Patti Waldmeir, gave a useful summary (February 2) of Bophuthatswana's prospects in the "new South Africa". Waldmeir points out that economic growth "has exceeded that in almost every other independent African country", adding, "on s continent which scarcely distinguishes itself by the quality of economic management, Bophuthatswana clearly excels". Our inward investors like Pilkington, ICI, BMW, Siemens and a large active community of skilled foreigners speaks for itself. Standard and Poor's on Wall Street has given us its top three-star credit rating – a rare achievement in the developing world. Government revenues have doubled every six years, no less, with rates of taxation coming down.

On the political front, President Mangope's elected government has insisted on the right of individuals to decide their own future at the ballot box and not to be coerced by intimidation into supporting ANC "liberation" politics. The Tswanas have a lot to lose from reincorporation into South Africa, not only in material terms, as your correspondent observed, but quite possibly in political terms too. To them, "freedom for the people" rhetoric has a hollow ring, since they've lived in their own non-racial democracy for over 15 years. Like their Tswana relatives in Botswana, this is one of the few true democratic societies in Africa.

The ANC's none-too-subtle political agenda in Bophuthatswana has been equally clear: to destabilise all official institutions by means of intimidation, violence and arson. The objective: to bring the authorities "to their knees" (in their words).

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Tuesday February 23 1993

When Brussels lacks steel

LITTLE BY little, the rationalisation of the European steel industry seems to be slipping into the dateless future. This Thursday's meeting of EC industry ministers was supposed to be making concrete decisions on capacity cuts, aid and imports. Instead, it is to pass a resolution broadly supporting an outline plan yet to be drawn up by the EC Commission. If this sounds wishy-washy, it is probably meant to be. Killing off steel plants is a politically hazardous business. If the trigger must be pulled, no one wants their prints on the gun.

It is possible to feel a twinge of sympathy. Even the more extreme ideas emanating from the Commission are too half-hearted to be worth taking risks for. The ideal result would be a European steel industry which is not just smaller than now, but is concentrated on the most efficient plants. No mechanism has even been suggested for bringing this about. If agreement were reached on taking out capacity, it would be left to the steel companies themselves to thrash out who should close what. This cartel approach certainly has the virtue of simplicity. Whether the result would approximate to a market-based solution, or indeed serve the interests of consumers, is another matter.

It might be argued that no such immediate solution was on the cards. Politics is inherent in European steel, if only as a matter of history. Perhaps all Brussels can hope to do is to band out central cash to persuade member states to spend less on individual subsidies. That way, the disciplines of the market may be allowed to work more effectively in the long run. The alternative would be for the EC to specify which plants should be closed. Not only would that further step be politically impossible: it is far from clear that the EC is equipped to take it.

The one matter which is wholly within the jurisdiction of Brussels is that of steel imports from eastern Europe. Here the EC faces a genuine dilemma. It is doubtless true that, at the margin, imports from the east are disruptive. If obsolete plants are run for cash with no thought of replacement, a business run as a going concern cannot hope to compete on price. Thus, to allow free access to eastern steel risks adding to the ranks of jobless EC steelworkers. The snag is that the alternative might be playing host to jobless Polish and Czech steelworkers instead.

In such a situation, the only answer is compromise. But in debating how much subsidy and protection to allow, Brussels should remind itself of a simple fact. In the face of small-scale, flexible methods of steel production, Europe's huge integrated steel mills may be industrial dinosaurs anyway. The longer they are propped up, the more the EC risks ending up without a steel industry in the long run. In terms of comparative advantage, that need not necessarily be a bad thing. But in social as well as economic terms, it points an obvious moral. Rather than keep workers unproductively employed, the trick is to find them something better to do.

Repent at haste

ACTIONS HASTILY conceived in circumstances of national outcry are often later regretted or simply turn out to have been nugatory. The effectiveness of the English criminal justice system has been seriously weakened by miscarriages of justice perpetrated at times of public outrage after horrible terrorist bombings. A series of vicious attacks by dogs two years ago produced the Dangerous Dogs Act which has failed to rid Britain of killer dogs but provided lawyers with work defining breeds.

There is a similar peril in the present moral panic over the killing on Merseyside of a two-year-old boy, apparently by older children. The intense media coverage has led many to suppose that the UK has become engulfed in a tide of violent crime. Several recent news stories have been cheaply and misleadingly linked to suggest that children are at the forefront of the crimewave.

Recorded crime rates have certainly risen, as in almost every other advanced economy. But fear of crime has risen much faster. And there is, sadly, nothing new about children killing other children – as those with memories long enough to remember the case of Mary Bell will know.

Such considerations count for little, however, when politicians scent an issue of popular concern. The parties vie to demonstrate their commitment to ever-stronger measures, with little consideration of their efficacy. The prime minister is right to call for greater condemnation of violent crime. But his corollary of less effort to understand the criminal is exactly what is not needed. Much more work is required to examine the many factors which lie behind increased crime rates.

These include unemployment, which has left pockets of deprivation in many large cities where crime is seen as the only way of acquiring material wealth. There is the failure of schools which send 40 per cent of students to further education colleges with inadequate numeracy and literacy skills, along with vocational training system still very much in the throes of uncertain reform. There is the erosion of the nuclear family, which provided two adults to share the burden of parenthood. And there is the question of violence in the media, which may create an impression that violence is the norm.

There is also the easy availability of drugs, trafficking in which offers financial rewards way beyond those possible through hard work. Those attractions are enhanced at a time of few job opportunities for young people with no qualifications.

There will be disagreements over the weight to be assigned to each of these and to many other relevant factors. But anyone who hopes to contribute to solutions must recognise that dealing with this complex issue needs multifaceted policies managed with skill and determination over long periods. That is the note the government needs to strike in the coming days.

Paying for roads

WITH BRITAIN'S railways facing privatisation, there is symmetry in the idea of putting the roads on a commercial basis too. Why, after all, should they be exempt from a process that has touched every other part of the nation's transport infrastructure?

Up until now, the lack of any income stream from the roads has rendered the notion futile. But that could change: a green paper in April will explore the possibility of introducing tolls on trunk roads and motorways to help finance new roadbuilding, whils in the longer term, the government is talking of introducing electronic road pricing in urban areas to tackle traffic congestion.

Political risks apart, the notion of road charging must be attractive to any government: it offers the opportunity of opening up a very substantial source of revenue while simultaneously being seen as encouraging an environmentally friendly switch of passenger and goods traffic to public transport. Even so, it raises some awkward questions.

In the case of trunk roads and motorways, one argument for tolls is that they would help fund the construction of new capacity. But Britain's trunk roads and motorways were not built as toll roads, so a toll system could prove appallingly expensive to instal and might also be costly to run. If so, the equivalent sums could be raised more cost-effectively through the existing system of fuel and vehicle taxes.

The other main argument for tolls is that they are necessary to provide a framework in which the private sector will go into business building and operating roads at a profit. But the private sector already builds roads on the government's behalf. If the government wants the private sector to fund them, too, it is not clear what is wrong with asking it to go on doing so as it already does: through the gilts market.

Much stronger arguments exist for road pricing in urban areas. Here, where more roadbuilding is usually impractical, high user charges on busy routes would be a much more efficient way of rationing available space than congestion, and the proceeds could be ploughed into better public transport. Yet this idea has taken a back seat to the toll roads plan.

The government is in danger of getting itself into a muddle over road user charges. Already, suspicions are aroused. Will the proceeds from tolls really be applied to building better roads, or will they simply represent a new source of taxation? Is there really an environmentally friendly angle to the plan, or is it more to do with the government's determination to keep the privatisation show running? Why press ahead with toll roads at a time when urban road pricing looks a much higher priority?

The green paper will need to produce some convincing answers to questions like these if it is to convince a sceptical motoring public that the benefits of toll roads will outweigh the costs.

Late payments are behind a growing number of corporate casualties in Europe, writes **Michael Cassell**

The dangers that lurk in delay

Baroness Denton of Wakefield, the UK minister for small businesses, has some handy hints for companies at their wits' end over the late payment of bills. They include nocturnal telephone calls to the offending company's chairman and sending scruffy teenagers to squat in reception.

The minister may be half-joking, but the problem of late payment, now enveloping companies of every type and size, is no laughing matter. She says: "There are real, moral issues here which must be addressed if we are to stop companies from needlessly going bust."

It is already too late for Mr Harry Aitchison, whose Manchester-based carpentry business has just joined the 20 UK companies expiring daily. "My customers killed me," he says "The bank pulled the plug for £22,000 when I had £60,000 overdue."

A time lag in paying suppliers provides a legitimate form of inter-company credit, and gives customers the chance to check the quality of goods and services. But when the practice is abused, suppliers' cash positions deteriorate and interest charges and production costs escalate. Creditor companies then delay paying their own debts to avoid more costly sources of finance.

Recession-hit companies now speak of a crisis within a business community unable or unwilling to break free from a vicious circle of overdue debt.

The disease, however, is not peculiarly British. The European Commission has just launched an investigation into late payment, which is "spreading contagiously" throughout the Community.

Some member states are so alarmed they are considering using competition law to impose financial penalties on offending companies.

The Association of British Factors and Discounters, whose members provide cash against unpaid invoices, warns that hopes for higher UK sales in Europe following last September's sterling devaluation are threatened because spreading recession is lengthening payment delays. It claims the time taken for European companies to pay increased on average by a third in 1992. Even in Germany, where payment practices are held to be exemplary, payment periods have stretched from 30 to 50 days.

In the UK, a survey this month from Trade Indemnity, the credit insurer, underlines the problem. It shows that, in December, only 3 per cent of nearly 600 companies contacted were being paid on time.

Businesses report they are having to wait, on average, nearly one month beyond the agreed date of payment – itself often 30 days after delivery. The average value of debt per company at least 30 days outstanding was more than £120,000, with engineering, construction, steel and paper sectors suffering most from large, overdue debt.

The government and the private sector are promoting a number of voluntary initiatives to try to combat the damaging drift of indebtedness. But there are doubts about their effectiveness.

Only one piece of legislation is planned so far. By the end of 1993, large companies are likely to be required to state in notes to their accounts the average time taken to pay their bills. In a consultative document published last month, the Department of Trade and Industry defines "large" as any company which satisfies at least two of the following conditions: a turnover of more than £11.2m, a balance sheet total exceeding £3.9m, or more than 250 employees.

Critics say the measure has no teeth – the only penalty for poor performance will be the wrath of suppliers – and that companies will be able to manipulate their record by behaving impeccably while they monitor their payment performance.

Mr Martin Simons, former head of competitor analysis at Imperial Chemical Industries, says the proposals are open to abuse and wants an industry-wide, standard payment term of about 35 days following the date of invoice.

"Funds would flow more steadily and there would be more effective credit control. Debt would be half the level experienced under the present, archaic free-for-all.

"It would eliminate the common practice of ordering a small consignment at the end of a month, which attracts agreed credit of 20 or 30 days, followed by placing a bigger order at the start of the next month, attracting up to 60 days' credit," Mr Simons adds.

Ministers accept that the public sector must lead by example: all government departments claim they insist their main contractors ordinarily pay their own suppliers within 30 days. However, the Property Services Agency, which manages the government's property estate, has just admitted making contractors wait months for payment, until it has been paid by other government departments.

The Confederation of British Industry, which has said that late payment threatens the survival of one in five companies, has a "prompt payers" code. It calls for a "clear, consistent" payment policy and a system of dealing quickly with complaints.

Only 400 businesses from its 25,000-strong membership have so far signed up, but they include some of Britain's largest companies, such as Esso, Boots, British Airways and Glaxo.

Dr Ian Peters, a CBI deputy director, says: "It's a question of business culture. No one wants to pay up until they are forced to.

"If there is any hope of winning the battle, the big companies have to show the way. Some of them have terrible payment records and exploit a smaller supplier's reluctance to cause a fuss."

Mr David Frost, chief executive of Walsall Chamber of Commerce, which is running an experimental, government-funded hotline for company debt problems, agrees: "The biggest fear is upsetting customers. If you push too hard, they will think you are going broke or tell you to get lost because other companies are hungry for work."

Beyond the present initiatives, a majority of small and medium-sized businesses now appears to support the introduction of a legal right to interest on outstanding debts – in force in all EC member states except the UK and Ireland. Ministers concede there are powerful arguments for a statutory right of interest, but stress companies must be free to agree the contract terms. They do not exclude more legislation to enforce better behaviour.

Some British companies already include in contracts interest penalties for late payment, but few take the uncertain path of seeking compensation through the courts.

Nor is there much evidence from Europe that a right to interest means prompt payment. The Commission acknowledges that penalties are rarely demanded or paid, while debt recovery in most European countries still invariably entails court proceedings.

Mr Tim Devlin, Conservative MP for Stockton South, is more enthusiastic: "The mere threat of punitive interest penalties would make many companies pay up and help bring about the culture change we desperately need."

Though less convinced about the role of legislation, organisations such as the CBI and the Federation of Small Businesses agree that streamlined court procedures for debt recovery must accompany any moves to improve corporate payment behaviour.

The government has pledged to speed up and simplify cumbersome and costly commercial debt recovery procedures, though business is sceptical it will achieve real improvements. The Lord Chancellor has already rejected a CBI plan for an independent debt tribunal which would hear disputed payment cases.

But companies are also accused of not helping themselves. According to Ms Barbara Bennett, a spokeswoman for Trade Indemnity: "The root of the problem is that credit control is regarded as a Cinderella activity, handed down to someone with low status on poor pay. Business must get to grips with credit management if things are to improve."

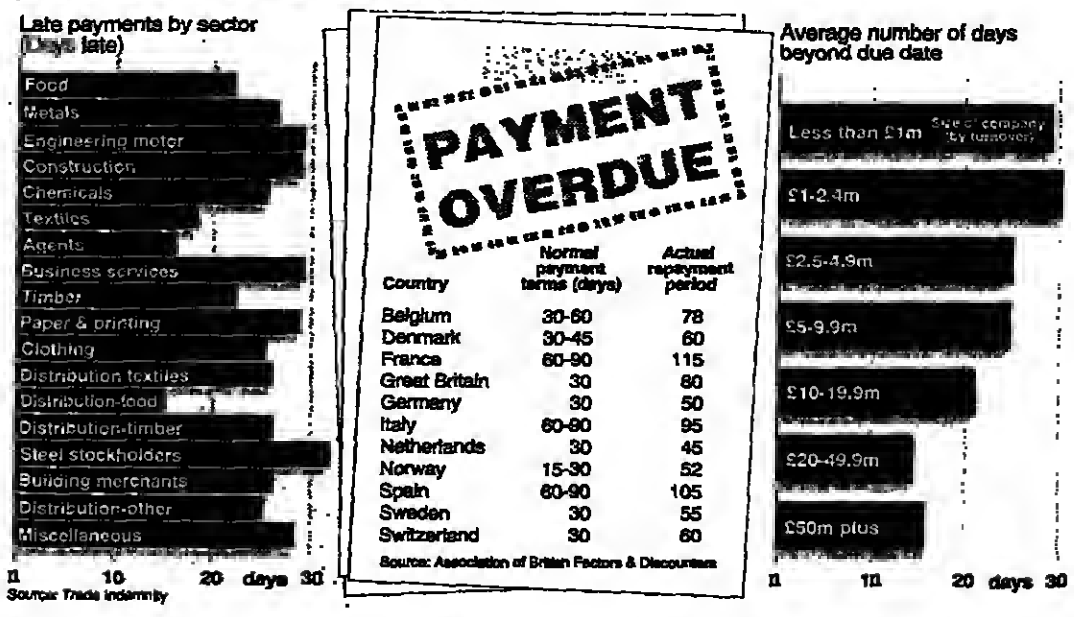
Up to a third of companies do not even have written payment terms. Mr Allen Page, a director of Marlborough Management, a Buckinghamshire-based business consultancy, says too many businesses are sales-driven and ignore vital financial disciplines.

"You can add legislation on late payment for ever and a day, with little effect. Companies have to end their damaging ambiguities on credit policy, sharpen up control procedures and get tougher."

Mr Page makes another point: "A lot of companies don't get paid on time because they have provided a shoddy, unsatisfactory service.

"Too often, holding back payment is the only way weapon available. Whatever the motive, it is a ruinous, cat-and-mouse game which no one can win."

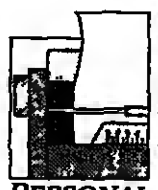
When late is as bad as never



Country	Normal payment terms (days)	Actual repayment period
Belgium	30-60	78
Denmark	30-45	60
France	60-90	115
Great Britain	30	80
Germany	30	50
Italy	60-90	95
Netherlands	30	45
Norway	15-30	52
Spain	60-90	105
Sweden	30	55
Switzerland	30	60

Source: Association of British Factors & Discounters

Getting the benefit out of a job



PERSONAL VIEW

Most people greatly prefer to work for pay rather than receive government support for remaining idle. Nevertheless, the present UK government – like many of its predecessors and others elsewhere – discourages people from working by paying them when they are unemployed and then removing these benefits and imposing taxes when they become employed again.

The most straightforward way out of this unemployment trap is to introduce a policy that encourages employment. My proposal, the benefit transfer programme (BTP), is designed to do just that. It would give the unemployed the option of transferring all the funds that finance their benefits – unemployment benefit, income support, and the associated rebates and provisions in kind – to provide wage subsidies to the companies which hire them. The size of the subsidy would depend on the length of each worker's latest unemployment spell. Companies could qualify only if they increased their workforces or provided the newly hired workers with training at least equal in value to the subsidy. Thus, firms would have an incentive to expand employment, rather than replace employees with subsidised ones.

Since the BTP would be voluntary, unemployed workers would transfer their benefits only when the resulting wages would make them significantly better off. Firms would hire these workers only when this raised profitability. Since the total amount spent on the wage subsidies is equal to the amount that would have been spent on unemployment support, all this could be achieved at no extra cost to the government.

The programme would give the government an instrument for tackling head-on the problem of long-term unemployment. When people fall into the unemployment trap, their skills erode, they lose their motivation to find jobs, and employers become wary of hiring them. The current unemployment benefit system provides little countervailing incentive for the long-term unemployed to find work. To give workers with different unemployment histories a level playing field, the BTP provides progressively larger incentives for companies to hire workers with longer unemployment spells. People who have been unemployed for two years or longer would be entitled to the maximum subsidy upon finding jobs. As their period of employment proceeds, their subsidy would gradually fall, reaching zero after two years of continuous employment. Those unemployed for a shorter period would receive a correspondingly smaller subsidy over a shorter time span. Since the long-term unemployment rate has no significant effect on wage growth, reducing the number of long-term unemployed would not be inflationary.

Programme . . . an instrument for tackling head-on the problem of long-term unemployment

The BTP is unlikely to affect real wages markedly: although a tightening of the labour market would improve employees' negotiating positions, the subsidies would improve companies' positions as well. The programme may, however, be expected to have a substantial impact on unemployment. The average unemployment benefit package amounts to about 40 per cent of the average UK wage, corresponding to a 40 per cent wage subsidy, on average, in the BTP. Assuming half the funds financing the current unemployment benefit package were used to finance the wage subsidies, the average subsidy would be 20 per cent.

Given that the subsidies would have no pronounced effect on the real wages received by workers, standard estimates of UK employment equations lead us to expect that a 20 per cent reduction in the real wages paid by firms would increase employment by about 6-8 per cent, thereby reducing unemployment to about a half or even a quarter of its present level.

This would still leave half of the funds financing the current unemployment benefit package to cover a variety of possible slippages: subsidies claimed, say, by unemployed who would have found jobs anyway.

Needless to say, the BTP would be no panacea. But it provides a mechanism for unemployed workers to find work voluntarily at the prevailing wages and for companies to reduce labour costs and increase profitability – all without stimulating inflation or raising government spending.

Dennis J Snower

The author is professor of economics, Birkbeck College, University of London, and programme director, Centre for Economic Policy Research

OBSERVER

Military efficiency

■ Britain's cabinet office efficiency unit should soon be showing military precision in its attack on Whitehall's cobwebs. From March its new head is to be John Oughton, redeployed from the defence ministry to succeed Doo Brereton who's being posted back to the social security department.

Even before the change the defence contingent was well entrenched in the cabinet office. Sir Peter Levene – the prime minister's efficiency adviser, no less – is a former chief of defence procurement. As Oughton was once his private secretary, he should have no trouble in keeping the new recruit in step.

Moreover Oughton will be rejoining another of his former commandants in Richard Mottram, now top mandarin in the office of public service and science, who also served in the defence ministry. One of his jobs there was to head the "options for change" exercise to reshape defence policy after the cold war, with Oughton under him in charge of naval aspects.

Finally, there's Sir James Blyth, the businessman who chairs the cabinet office's Citizen's Charter advisory panel.He was once head of defence sales at a time when, oddly enough, a promising young civil servant called John Oughton conducted an efficiency scrutiny of the organisation.

Besides making such good connections, Oughton has been responsible for the defence ministry's relations with its private-sector contractors. So he should be well armed to advance the market-testing programme in Whitehall, so dashingly launched by the departing Brereton.

TUC development

■ It is more than four years since European Community president Jacques Delors made his rousing speech at Britain's Trades Union Congress in support of a social Europe which so upset Mrs Thatcher. Hence, it is rather surprising to learn that the TUC has only just agreed to follow some of its more go-ahead members and open an office in Brussels as a focus for its Euro lobbying. There shouldn't be a lack of contenders to run the new outpost given that the TUC's domestic career opportunities look so dim currently.

Halifax's top gun

■ If the Halifax was going to recruit a new chief executive from within the ranks of the building society movement, then Mike Blackburn seems as good a choice as any. He has knocked the Leeds Permanent Building society into shape during his five years at the helm and he has proved far more rebellious than the average building society boss when it comes to questioning Government policies.

However, the Halifax is a good three times bigger than the Leeds Permanent and it will be interesting to see whether its board allows Blackburn such freedom of speech, especially if it is wanting Government help to smooth its passage to the stock market at some stage.

'I blame it all on the '60s, man'

Discuss

■ If seven members of BTR's 13-strong board have "executive responsibilities" does it mean that the other six are non-executive directors?

The question is raised by a curious press release from BTR yesterday which seemed to throw into some doubt BTR chairman Sir Owen Green's long held view that there was no such thing as a non-executive director of BTR.

Sir Owen, who is due to bow out after this year's annual general meeting, was suitably elliptical on the subject and said that just because his other directors did not have executive responsibilities at BTR, it did not make them non-executives.

Gang bust

■ Who are the latest victims of the Japan's downturn? Its organised crime gangs, whose decline has of course been charted with not just typical precision, but apparent orderliness.

A survey of police stations around the country shows there are 39,000 gangs, many of them officially registered under the so called "anti-gang" law introduced last year.

Taken together, they currently have 80,000 employees - 5,000 down on March 1992. What's more, about 132 of the employers have gone out of business.

In the meantime, 281 instructions have been issued forbidding gangs to undertake illegal activities such as extortion or preventing their members from quitting.

Even so, as the newspaper Yomiuri Shimbum reports in shocked tones, in six cases second warnings had to be given before the gangs took any real notice.

Fortunately, many other gangsters gave up like good Japanese citizens, sending the police no fewer than 219 guns. Four in Nara prefecture went further. Such was their depression at their loss of income that they committed suicide.

Lingua banker

■ *Scisne Latine?* While the answer is "probably not" these days, surviving students of the Roman tongue will be glad to know that Glasgow University has decided to retain the use of Latin in official ceremonies.

But to help those unblessed by a classical education, one of the staff has produced the following glossary of certain key phrases:

Quod erat demonstrandum - The students were protesting.

Ex gratia – Service-charge not included.

Cogito ergo sum – I think you've added it up wrongly.

Ad infinitum – Extra-long commercial.

Et in arcadia ego – I lunched in the shopping mall.

The staff member responsible, by the way, is not from Glasgow's classics department. He is John Espiner, of Barclays Bank, working on secondment in the university's planning office.

FINANCIAL TIMES
Tuesday February 23 1993

Clinton promises more pressure on Tokyo to open markets

Japan's trade surplus criticised

By George Graham in Washington

US president Bill Clinton yesterday singled out Japan for criticism over its trade surplus, saying he would continue to press Tokyo to open its markets to foreign goods.

"It is the only nation with which we have a persistent and unchanging structural deficit," Mr Clinton told employees of Silicon Graphics in San José, California.

"What we have to do is to to try to continue to help more companies to figure out how to do business there and keep pushing them to open their markets," he said. "I don't want to close American markets to Japanese products."

Mr Clinton and his vice-president Al Gore were in California to drum up support for the president's economic plan, announced in the State of the Union address last week.

As part of this effort, the two launched a $550m technology initiative which forms part of the short-term economic stimulus package in the economic plan.

Mr Gore said the administration's new technology policy would focus on continuing basic research and development, the need for improved education and a better financial environment for high-risk businesses.

He also said the Clinton administration would press for "rapid completion of a nationwide network of information superhighways" as part of its plan to invest in infrastructure.

"Infrastructure is a $5 word that used to describe roads, bridges, power lines and sewer lines, but if we are going to compete we are going to have to invest in a different kind of infrastructure," Mr Gore said.

Advocates of this kind of information network have been divided, however, on whether to invest in a new system of fibre optic cables designed to carry much greater volumes of data, or to develop numeric data compression techniques to send the same volumes down existing networks of telephone wiring.

If the need for an economic stimulus has been questioned in the recovering eastern US, it is in no doubt in California, where the economy is still struggling. The administration is counting on strong support from the west coast as it tries to market the package of short-term spending increases and tax breaks combined with longer term tax increases and spending cuts.

UN plans war crimes court for Bosnia

By Michael Littlejohns, UN Correspondent, in New York

THE United Nations security council decided yesterday to establish an international court to try those accused of war crimes since 1991 in former Yugoslavia.

It would be the first such court since the Nuremberg and Tokyo tribunals judged Nazi and Japanese war criminals at the end of the second world war.

In its resolution, the security council called for a report by Mr Boutros Boutros Ghali, the UN secretary general, "on all aspects of this matter, including specific proposals and where appropriate options for the effective and expeditious implementation of the decision".

There was no mention of how to round up suspects. Nor is it anticipated the prosecutors will seek the death sentence for those charged, as they did at Nuremberg and Tokyo.

No war crimes suspects have been officially indicted, although the US has prepared a list of alleged Balkan war criminals. It names Mr Radovan Karadzic, the leader of the Bosnian Serbians, who was given a restricted visa limiting his movements to the UN headquarters neighbourhood while in New York recently for talks with Mr Cyrus Vance and Lord Owen, co-chairmen of the international conference on former Yugoslavia. They were among the first to recommend the creation of a special war crimes court.

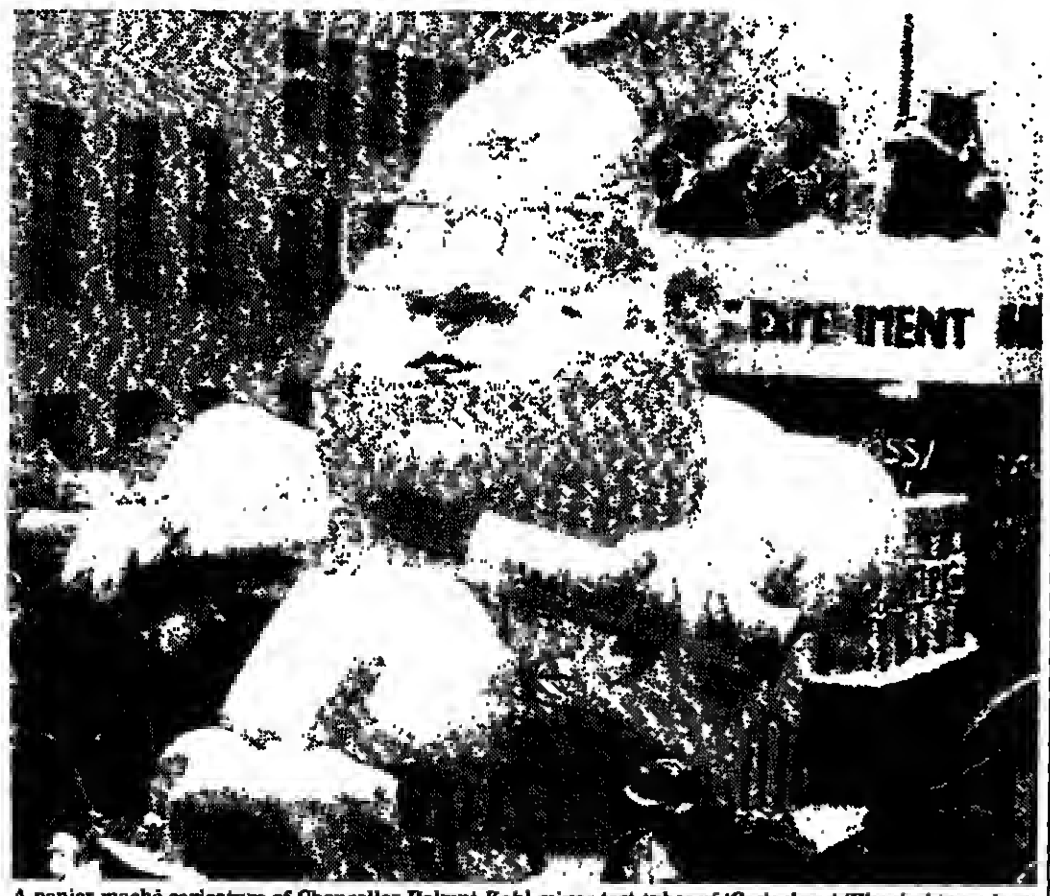
Last October, the council established a commission to analyse Balkans war crimes data.

A French committee of jurists recommended in a report to the council earlier this month that a tribunal comprise 15 judges, along with a separate panel to name suspects and prosecute them.

In its resolution, the council expressed "grave alarm" at widespread mass killings and "ethnic cleansing" in the former Yugoslavia. Among the data cited was a recent EC report of mass rapes and other atrocities against Moslem women in Bosnia Hercegovina.

Declaring the violations of humanitarian law to be a threat to international peace and security, the council "determined to put an end to such crimes and to take effective measures to bring to justice the persons who are responsible for them".

Britain rejects airdrop to refugees, Page 2



A papier-maché caricature of Chancellor Helmut Kohl mixes test tubes of 'Ossies' and 'Wessies' to make a united Germany on a carnival float at the Rose Monday parade in Cologne yesterday

UN funding reforms proposed

By Michael Littlejohns in New York

AN INTERNATIONAL panel of "wise men" has recommended reforms aimed at resolving the United Nations' endemic financial crisis, caused largely by member states' failure to pay contributions on time.

The panel, under former UN under-secretary general Sir Brian Urquhart, says the UN must be assured of funds in good time to meet the growing obligations placed on it by member states.

The report calls for a $400m revolving fund financed by three annual assessments on member states, to assure reliable financing in the start-up phase of peacekeeping. Because the initial phase was usually the most costly and dangerous, financing delays could be crippling, it said.

To improve the existing process, the report also suggests that the UN consider creating a unified peacekeeping budget, financed by a single annual assessment, in addition to the revolving fund. This would make possible an infrastructure to manage operations and provide them with common services.

The report, being released in New York by the Ford Foundation, notes that while only some 15,000 UN peacekeepers were deployed two years ago there are nearly 55,000 today.

The panel also suggests measures to encourage member governments to pay assessments on time, to put in place adequate reserves for the regular budget and to give the secretary-general the means and authority to react more swiftly in emergencies.

Although existing rules call for payment of regular contributions to the UN budget in the first 30 days of the year, most governments only pay by the end of the year. The UN was still owed $500m from prior years at the end of 1992.

A doubling of the UN's $100m working capital fund is recommended. Last increased in 1982, it was depleted to offset arrears in member states' dues. The minimal size of the reserve was too small to protect against fluctuations in receipts and expenditure, the panel said.

Mr Paul Volcker, former chairman of the US Federal Reserve, and Mr Shijuro Ogeta, retired deputy governor of the Japan Development Bank, served as co-chairmen of the panel.

Daf truck managers plan UK buy-out

Continued from Page 1

which must replace its present LT heavy van range later in the 1990s, is considered a potential partner, while General Motors Europe has also held talks with Renault about a possible collaborative van venture.

In Eindhoven, Daf's Dutch receivers said they had received assurances from the UK receivers that the new Dutch/Belgian Daf Trucks company could continue to count on essential parts and components being delivered from Leyland Daf's British plants.

The Dutch and Belgian governments have waived their rights to a voting majority in Daf Trucks NV despite their combined majority stake.

Mr Friso Meeter, one of Daf's two Dutch receivers, denied yesterday that the new Daf could be considered a "nationalised" company following the weekend deal whereby the Netherlands and Belgium agreed to provide a combined Fl 270m towards fresh equity of up to Fl 500m.

He disclosed that it was the "express wish" of the two governments that their combined control over the company be limited to a minority influence.

US links aid for Peru to human rights record

By Stephen Fidler in New York and Sally Bowan in Lima

THE CLINTON administration is delaying approval of a multinational financial support package for Peru because of its dissatisfaction with the human rights record of President Alberto Fujimori's government.

It is an early indication that the new US government intends to link its foreign aid policy explicitly with human rights and democracy in recipient countries. Officials at Washington's international financial institutions confirmed that recent comments by US officials indicated that this would be White House policy.

A State Department official said yesterday that US agreement on financial support had been delayed until the Fujimori government "complies with certain conditions relating to human rights".

Some of the conditions had already been met, although the spokesman declined to be specific about what the conditions were.

However, US officials sought to underline that the linkage is likely to be made less explicitly than it was under the previous Democratic administration of President Jimmy Carter.

Mr Jorge Camet, Peru's finance minister, was due to discuss the delay in Washington yesterday with Mr Bernard Aronson, assistant secretary for Latin American affairs in the State Department, and Mr Richard Feinberg, his counterpart on the National Security Council.

The financial support package from friendly governments led by the US and Japan was meant to help clear Peru's arrears with the international Monetary Fund and World Bank – thereby allowing them to resume lending – and to provide some finance to cover the country's balance of payments shortfall.

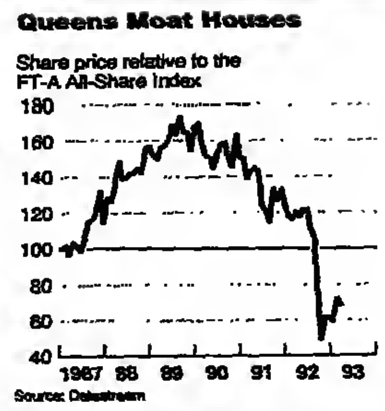
Since Mr Fujimori's suspension of the constitution last April, concern has been growing about his autocratic style of government. He had been forced by the Bush administration and the Organisation of American States to hold congressional and local elections last year to guarantee a resumption of aid flows.

Last week, a furore blew up in Peru about the leak of a tape recording of a supposedly confidential meeting between the International Red Cross and Mr Abimael Guzman, jailed leader of the Maoist Shining Path guerrilla group.

THE LEX COLUMN

Japan's hard choices

FT-SE Index: 2838.3 (-1.7)



The foreign exchange markets seem to have decided that the forthcoming G7 meeting will push for a further appreciation of the yen, in part, that follows from weekend comments by the US treasury secretary, Lloyd Bentsen. But it also seems to fit with wider concerns about the size of Japan's trade surplus. Most G7 members – including apparently the Japanese – think a higher yen is the best way naturally to curb Japanese exports and promote imports.

It is by no means certain, however, that G7 members are really prepared to take the necessary action to force the yen higher. It is inconceivable, for example, that the Bank of Japan will increase official interest rates so soon after lowering them. Further fiscal packages to stimulate the economy are more likely, but their timing and size are unclear. Fear of higher budget deficits within the Ministry of Finance may limit the scope of tax cuts and even a substantial fiscal loosening may not be enough to stop scared Japanese salarymen squirrelling money away.

On the other side, the Bundesbank, having resisted French calls for lower rates for so long, is unlikely to give in to Japanese blandishments. Mr Alan Greenspan also has his own domestic agenda which may not include lower interest rates in the near term. Besides, it is far from clear that the Japanese economy is in any fit state to take the pain which its exporting manufacturers would suffer. With the hole in balance sheets large and earnings already low, the stock market would look even more vulnerable. Given that the likely alternative is the threat of trade sanctions, the Japanese financial system is in a tough spot.

Shell

However lawyers and accountants try to inflate the importance of compliance bureaucracy, the security of dealing rooms will always be dependent on the honesty of the people who work there. A sufficiently determined individual can subvert almost any system. So it is hard to go along with the standard denunciation of Shell's Japanese debacle.

It is more interesting to trace the reasons for the failure. Shell has a decentralised management structure which, while much admired, may well have contributed to the problem. It also has only a 50 per cent stake in Showa Shell Sekiyu – limiting its control. Japanese political sensitivities may have meant that the refiner was run even more at arm's length than usual with such ventures. The large volumes of low margin transactions which such refining and marketing operations handle as a matter of course may also have made it easier to hide the unauthorised deals.

Even so, the scale of the operation is breathtaking, and it is no tribute to Japanese accounting standards that the irregularities seem to have gone undetected for several years. Shell may now correct specific errors and take a firmer grip on its subsidiaries. Yet the episode only highlights the increasing dependence of large oil companies on sophisticated treasury operations. Even when the trading is authorised, it carries risks which few investors bother to contemplate. Fortunately in this case the company can afford the hit.

Gold shares

Gold bullion may still look a pretty dull investment but, curiously, shares in gold mining stocks have glittered in recent months. The FT Gold Mines Index has climbed by 46 per cent since the start of the year, largely reflecting a 28 per cent appreciation in the South African stock exchange's gold sector.

South African shares have been buoyed by overseas buying, particularly from the US and, latterly, Europe. Worries about South Africa's political instability have eased while ethical restrictions on investment have loosened. The South African gold sector was looking distinctly oversold and the yields of good quality stocks attractive. Even now, many stocks still yield in excess of 10 per cent, compared with the 1-3 per cent available from comparable US companies.

Foreign investors also benefit from buying shares with restricted financial rands but receiving dividends in commonly-traded commercial rands. The discount between the two, which effectively acts as a barometer of foreigners' perceptions of investment risk, has recently narrowed to 30 per cent. But it still strongly accentuates investment returns.

Gold stocks may run ahead for a while yet as yields continue to entice investors. But for the rise to be sustained much longer will either require a rise in gold bullion prices or increased buying from South African institutions. The trouble is that several countries' central banks are running down their gold reserves. South African investors may also try to exploit the spike in gold shares by reducing overweight holdings.

Queens Moat Houses

Queens Moat's agreement to convert another eight hotels into Holiday Inn franchises is a sensible, if modest, step in its quest to improve room usage rates with the barest possible capital outlay. By tapping into Holiday Inn's international reservations network, Queens Moat aims to increase its occupancy rates from 65 per cent to more than 70 per cent. Its experience of running 19 Holiday Inn hotels in mainland Europe shows this to be feasible.

Queens Moat shareholders would doubtless be pleased if their company could extend the arrangement, as suggested in yesterday's announcement. Investors in Bass, though, may balk at too great an entanglement, given Queens Moat's stretched balance sheet. The market was certainly relieved that Bass did not buy an equity stake, as had been rumoured.

The far bigger challenge facing Queens Moat, however, is to drive down its borrowings, which may have escalated to close to £1bn by the year-end. The company cannot rely on trading income alone to make much of a dent in its debt. A rights issue seems impractical, given Queen Moat's profligacy with paper in the past. Asset disposals will remain tricky until the property market perks up.

An additional worry is Queens Moat's heavy exposure to mainland Europe. Although this helped protect the company during the UK downturn, it may act as a drag on the share price just as recovery starts in its domestic market.

World Weather

		°C	°F
Ajaccio	S	12	54
Algiers	F	10	50
Amsterdam	F	4	39
Athens	F	12	54
Bahrain	F	25	77
Bangkok	F	34	93
Barcelona	S	10	50
Beijing	S	1	34
Beirut	S	17	63
Belfast	F	9	48
Belgrade	F	-1	30
Berlin	F	-3	27
Biarritz	S	7	45
Bombay	S	30	86
Bordeaux	F	6	43
Boulogne	F	5	41
Brussels	C	4	39
Budapest	F	1	34
Buenos Aires	F	23	73
Cairo	S	20	68
Cape Town	S	24	75
Caracas	F	28	82
Casablanca †	C	16	61
Chicago †	Sn	-7	19
Cologne	S	2	36
Copenhagen	S	-1	30
Corfu	F	10	50
Dallas †	S	4	39
Dublin	C	10	50
Dubrovnik	Sn	2	36
Edinburgh	C	8	46
Faro	S	18	64
Florence	F	7	45
Frankfurt	S	2	36
Geneva	F	3	37
Gibraltar	C	16	61
Glasgow	C	9	48
Helsinki	Sn	-9	16
Hong Kong	F	20	68
Innsbruck	Sn	-4	25
Inverness	S	9	48
Islamabad	C	16	61
Istanbul	F	11	52
Jakarta	R	30	86
Johannesburg	F	25	77
Lisbon	S	15	59
London	C	5	41
Los Angeles †	F	9	48
Luxembourg	C	1	34
Madeira	S	19	66
Madrid	S	11	52
Majorca	F	10	50
Malaga	C	16	61
Malta	F	10	50
Manila	F	32	90
Melbourne	F	17	63
Mexico City	F	25	77
Miami †	S	22	72
Milan	S	8	46
Montreal †	Sn	-11	12
Moscow	C	0	32
Munich	Sn	-5	23
Nairobi		–	–
Naples	F	7	45
Nassau	F	26	79
New Delhi	S	20	68
New York †	C	0	32
Nice	S	13	55
Nicosia	S	17	63
Oporto	S	15	59
Oslo	S	0	32
Paris	C	4	39
Prague	F	-5	23
Reykjavik	R	6	43
Rhodes	F	15	59
Rio de Janeiro	C	38	100
Rome	F	9	48
Salzburg	C	-3	27
S'Francisco †	C	8	46
Seoul	C	-2	28
Singapore	S	31	88
Stockholm	Sn	-5	23
Strasbourg	F	2	36
Sydney	S	21	70
Taipei	C	15	59
Tangier	S	19	66
Tel Aviv	F	16	61
Tenerife	F	19	66
Tokyo	C	14	57
Toronto †	Sn	-10	14
Tunis	C	13	55
Valencia	S	14	57
Venice	S	8	46
Vienna	F	-1	30
Warsaw	C	-3	27
Washington †	C	5	41
Zurich	F	0	32

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

COMPANIES & MARKETS

INSIDE

Chicago's Baby Bell in radical shake-up

Ameritech, the Chicago-based "Baby Bell" telephone company, announced a sweeping internal reorganisation and unveiled a radical plan for introducing competition into the monopolistic US local telecommunications market, whose future is increasingly being debated. Monopoly companies are under threat from regulatory and technological change. Page 21

Danish group bids for Hafnia

Codan, the Danish insurance group controlled by the UK's Sun Alliance, has made a bid for Hafnia Insurance and Hafnia Bank. However, it will not seek to buy Hafnia group's strategic shareholdings in its Danish competitor, Baltica, and Swedan's Skandia. Hafnia suspended payments to creditors last August after sustaining heavy losses on its holdings in Baltica and Skandia. Page 20

Russian oil rolls red carpet

Foreign oil majors have found getting more than a toe-hold in the Russian oil sector arduous and time consuming. Now Mr Vaguit Alekperov, appointed head of Rosneft, the Russian state oil company being created to manage the industry, says: "I welcome foreign investment." He even – cautiously – says Rosneft may act as a guarantor for their investments "at some time in the future". Page 26

Western Mining nickel deal

Western Mining Corp, the Australian resources group, is to buy a 50 per cent share in the Mount Keith nickel deposit in Western Australia from Finnish metals group Outokumpu. The deal will give WMC 100 per cent ownership of Mount Keith. Analysts said the deal suggested WMC would not exercise its right to purchase a 49 per cent share in the South Australia Olympic Dam metals mine from BP. Page 20

Sears, Roebuck expects $800m

Sears, Roebuck, the US stores group, expects to raise about $800m from the initial public offering of Dean Witter, Discover, its financial services arm. Dean Witter, Discover planned to sell 29.5m shares, or about 20 per cent of its stock, with about 15 per cent of the shares reserved for employees. Page 21

US tugs down world index

The Dow lost more than 80 points the morning after Mr Clinton's television appearance in which he revealed his proposals to increase taxes. However, Germany continued to power ahead. In aggregate, the world's senior equity markets produced a decline in the FT-Actuaries World Index in local currency terms; but if one excludes the US, the index shows a modest rise. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Bil & Berger	959.5	+	18.5	CGIP	1123	+	32
Deutsche Bank	697	+	12	Docks de France	459	+	16
Karstadt	549.5	+	10.5	[illegible]	325	+	21
Falls				[illegible]	249	+	20
BASF	203.3	-	9.2	Spie Batig	379	+	35
Hochtief	1140	-	14	**Falls**			
Mercedes	461	-	6	Fonc Lyonnaise	608	-	32
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Mellon Bank	57¾	+	2⅛	Hitachi Elec	1270	+	70
Falls				Mitsui Wharf	710	+	60
Amgen	42⅝	-	2¾	Tokyo Sharing	300	+	20
Chiron	46¼	-	4½	**Falls**			
Johnson & Johnson	38⅞	-	2⅞	Pioneer Elec	2180	-	160
Synergen	14	-	20⅛	Taiyo Elec	225	-	24
US Healthcare	38	-	5⅜	Tsui Oil	292	-	34

New York prices at 12.30.

LONDON (Pence)							
Rises				Vinten	354	+	23
Dehm	73	+	13	**Falls**			
Fest Inch	138	+	10	Alexon	81	-	5
French (Thos)	73	+	8	Brixton	82	-	7
Lopex	26	+	4	During Kindly	278	-	16
McCarthy Stone	34	+	5	Gestetner	142	-	10
National Bank	459	+	14	Hadleigh	71	-	6
Nolton	167	+	7	P & P	54	-	4
Rolms	61	+	3	SmithBeecham A	421	-	11
Saville	13	+	3½	Shire Business	173	-	17
Tate & Lyle	409	+	14	Tapestry	218	-	20
Televideon	104	+	14	UK Land	22	-	5
Trinity Intl	14	+	7				
Unordeunt	115	+	6				

Astra advances 50% to SKr5bn as sales grow

By Christopher Brown-Humes in Stockholm

ASTRA, Sweden's leading pharmaceuticals group, saw 1992 pre-tax profits rise 50 per cent to SKr5.12bn ($678m) from SKr3.41bn, driven by strong sales growth and one-off currency gains.

The strong performance led the group to raise its dividend by 54 per cent to SKr5 a share from SKr3.25, on a 50 per cent increase in earnings per share to SKr28.80.

Sales rose 25 per cent to SKr15.6bn, which the group stressed was entirely due to higher volumes rather than increased prices.

Growth is expected to continue in 1993, with earnings rising in line with sales. However, the group did not give a specific forecast because of turbulent currency conditions.

Operating earnings after depreciation rose 29 per cent last year to SKr3.96bn from SKr3.06bn. But the group also benefited from a 62 per cent rise in net interest income to SKr580m and a SKr470m one-off currency translation gain as a result of the weakening of the krona. Operating income and licensing income were only marginally affected by exchange rate changes, as the krona only fell sharply at the end of the year.

Astra's sales rose sharply in a number of important markets, including the UK, Germany and Sweden.

Sales of Losec, its top-selling anti-peptic ulcer drug, climbed 43 per cent to SKr4.35bn from SKr3.03bn. If the drug's sales through licensees are included, sales rose to SKr7.2bn from SKr4.85bn.

Pulmicort, the anti-asthma agent, saw a 55 per cent growth in sales to SKr1.91bn to make it the group's second most important drug. Plendil, the antihypertensive agent, increased sales by 69 per cent to SKr569m.

"This is a good underlying performance and shows Astra has probably the best portfolio of new drugs of any of the world's major pharmaceutical companies," said Mr Johan Tivanen, pharmaceutical analyst at James Capel in London.

The latest performance extends an impressive run which has seen Astra's profits growth outstrip sales growth for the past 15 years.

The group's A shares fell SKr22 to SKr685, largely because the figures disappointed some expectations.

Markets, Back Page

Landlords to picket GrandMet AGM

By Philip Rawstorne in London

LICENSEES of pubs owned by Inntrepreneur Estates, the Grand Metropolitan/Courage joint venture company, will picket GrandMet's annual meeting in London today to protest against "excessive" rents charged on their long-term leases.

Some of the landlords have acquired GrandMet shares so they can carry their protest into the meeting with questions to Sir Allen Sheppard, chairman and chief executive, of the food, drinks and retailing group.

Mrs Trisha Boyce, of Alcombe, Somerset, organised the National Association of Inntrepreneur Licensees to fight the terms of the leases. She said her association, formed five months ago, had more than 800 members.

Inntrepreneur, established two years ago in the £2.36bn ($3.43bn) pub-for-breweries deal between GrandMet and Courage, owns about 6,850 pubs. The estate is managed by GrandMet and most of its beer is supplied by Courage. GrandMet's policy has been to convert the tenanted pubs in the estate to long-term assignable leases. The group said that 4,700 pubs, about 65 per cent, were now leased.

Government orders required 1,900 pubs to be freed from the exclusive supply contract with Courage last November. This triggered rent reviews. Higher rents were charged to reflect the licensee's freedom to obtain beer supplies from any brewer.

But rents were freely negotiated and where disputes arose they could be settled by arbitration, GrandMet said.

Inntrepreneur achieved a trading profit of £162m in 1992, but after interest charges recorded an loss of £28m.

Background, Page 24

Angus Foster on groups diversifying ahead of tighter regulation

Takeover flood as UK water spreads out

London's financial advisers should drink a toast to the UK water sector. Since privatisation in 1989, the water companies have blazed an acquisitions trail while other takeover activity has been muted by recession.

So far this year, six of the 10 companies have made sizeable acquisitions. Yesterday, Welsh Water paid up to £56.1m ($81.6m) for engineering consultant Acer Group, which is mainly involved in the transport and water sectors. Mr John Elfed Jones, chairman, said the purchase allowed Welsh to move into overseas markets.

But the rush to build up unregulated businesses has so far seen few successes, raising fears companies are paying too much for underperforming assets. Critics say some managements, freed from public sector control, have been too eager to acquire new businesses and lack experience in evaluating takeover targets. Meanwhile, companies have often found themselves bidding against each other and driving up prices.

According to one merchant banker advising vendors, the water companies are a "slightly soft sell" because of their strong balance sheets, inherited from privatisation, and a regulatory regime which guarantees price rises above inflation. "They've got the cash and diversification makes good sense, although you sense some are simply keeping up with their peers," he said.

Companies are diversifying mainly because regulation is likely to become tougher after 1995, when Ofwat concludes its interim review of pricing. Companies which can generate non-regulated profits will be able to use them to maintain dividend growth in case profits from regulated activities are flat.

For some smaller companies, perhaps only Wessex and Northumbrian, unregulated profits could contribute perhaps a third of total profits by the end of the decade. But for most of the companies, earnings from core water services will continue to overshadow unregulated businesses, which will contribute 10-20 per cent of profits at best.

All the 10 water companies have now established non-core divisions through acquisition or joint venture, usually in process engineering or waste management. So far this year, they have spent more than £250m on purchases. In the largest, Wessex Waste Management (WWM), the joint venture between Wessex Water and Waste Management International of the US, bought NFC's waste arm for £113m.

Other deals are expected. Tarmac's Econowaste is up for sale and some companies may be interested in Biwater, the privately-owned water engineering company. Further overseas expansion is also likely and

Main water company acquisitions

Waste management

Date	Company	Purchase	Price (£m)
May 1991	Severn Trent	Biffa	212.0
Oct 1991	Wessex Waste Management	Wimpey Waste	106.5
Jan 1993	South West	Haul-Waste	27.5
Jan 1993	Wessex Waste Management	NFC Waste Management	113.0

Engineering

Date	Company	Purchase	Price (£m)
Dec 1989	Thames	PWT	30.0
Nov 1990	North West	Enviro	38.6
Dec 1990	North West	Water Engineering	14.0
Jul 1991	North West	Wallace and Tiernan	78.0
Jun 1991	North West	Edwards & Jones	12.0
Jan 1992	Thames	UTAG	33.0
Jan 1992	Thames	FB Leopold	25.9
Jan 1993	Thames	Simon Hartley	20.2
Feb 1993	Anglian	Nordic Water	36.0
Feb 1993	Welsh	Acer	56.1

Other

Date	Company	Purchase	Price (£m)
Oct 1990	Welsh	S.Wales Electricity (14.9%)	sold
1991	South West	Westcountry TV (31.0%)	n.a.
Jan 1992	Yorkshire	JV Babcock International	n.a.
Feb 1993	Northumbrian	Simon Consultancies	10.5

Merck, the US pharmaceutical group, has put its Calgon Water Management subsidiary up for sale.

But most of the acquisitions since privatisation are performing poorly. Biffa, the waste management company bought for £212m by Severn Trent in 1991, remains loss-making after interest costs. Thames Water, which has spent about £120m building up a process engineering division, generated a pre-tax profit margin of less than 3 per cent from the division last year, and is not expected to improve greatly before 1995. North West Water's process and environmental engineering businesses, built up at a cost of about £110m, is earning similar returns.

The water companies claim, with justification, that it is too early to judge the success or otherwise of acquisitions. Most have been affected by recession and most, like Biffa, were bought as long-term businesses. Mr David Luffrum, group finance director at Thames, said water utilities can afford to think long term.

"It's less important for [the unregulated businesses] to be profitable at the moment than with a company struggling for liquidity," he said.

Nevertheless, water companies have been paying very handsome prices, especially if the assets acquired are not expected to perform in the short term. In January, South West Water paid English China Clays £27.5m for Haul-Waste, at an historic price/earnings ratio of 32 times. This month WWM bought NFC's waste division at more than 30 times historic earnings.

Both companies believe they paid a fair price because of potential growth in the waste management industry, and forecast improvement in margins. WWM also hopes for about £3m of efficiency savings.

But in several deals, the price paid seems to have been bid up by other water companies. Anglian Water, which paid £36m for Nordic Water earlier this month, is understood to have outbid North West Water. North West is also thought to have been interested in Simon Hartley, which Thames eventually bought for £20.2m in January. In the best example of competitive bidding, Severn Trent won Biffa from the jaws of at least two other companies, Yorkshire and Anglian.

Companies can afford inflated prices partly because their balance sheets are so strong. At privatisation, the government wrote off all debts, and several companies retain net cash in spite of heavy capital spending.

Most of the larger acquisitions have involved significant goodwill write-offs. For example, WWM's £106.5m purchase of Wimpey Waste Management in October 1991 led to goodwill write-offs of nearly £100m after fair value adjustments. "[Companies] are typically writing down fixed assets, which means less depreciation, thereby boosting the profits stream," according to Mr Robert Miller-Bakewell, analyst at NatWest Securities.

Water companies claim their diversification into new and related areas has been logical. For example, companies already had experience of process engineering through their work with sewage treatment.

Thames and North West Water have been able to use their expanded engineering and water management experience to bid for overseas contracts.

The decision to move into waste management is less clear cut. Companies do have experience of liquid waste disposal, and of working with environmental standards.

Several companies, such as Yorkshire Water, have made small acquisitions to expand existing liquid waste disposal businesses. But large acquisitions of solid waste collection and disposal companies, such as Biffa and Haul-Waste, are open to criticism, especially as some companies have underestimated the effects of recession on waste management.

Some observers argue that water companies are ill suited to manage assets such as dustcarts or landfill sites.

Moving into waste management is therefore a risky diversification from the water business, rather than an extension of it.

Mr Roderick Paul, chief executive of Severn Trent, agreed that moving into waste management was a diversification, but said all companies' acquisition strategies were reactions to the larger risk of tighter regulation. "We asked, 'Is there something else which is at least a sensible thing for you to do, with at least some overlap?'," he said.

Some analysts are not so sure. "If the companies are right, they will make a lot of money. If they are wrong, it's going to be expensive," said one.

Welsh Water acquisition, Page 24

Norsk Hydro returns to profit after change in accounting

By Karen Fossli in Oslo

NORSK HYDRO, Norway's biggest stock-listed company, said yesterday that a change in accounting principles enabled the group to return to a net profit of NKr1.76bn ($253.6m) in 1992 from a loss of NKr496m a year earlier.

Last year's figures reflect a NKr2.09bn positive cumulative effect of changes in accounting to GAAP standards in the US.

The new principles also resulted in a NKr131m charge in 1992 for estimated costs of future health and social benefits.

Before accounting changes, Hydro suffared a net loss of NKr195m in 1992 against a loss of NKr498m in 1991, when accounts were charged with NKr2.9bn for restructuring, compared with a charge of NKr160m last year.

Hydro proposed to cut its dividend to NKr3 a share – the lowest in five years – from NKr3.50 in 1991.

Group operating revenue fell by NKr2.55bn to NKr58.1bn due to a weak world economy and sharply lower prices for main products, the company said.

Weaker sales were partially offset by sharply lower operating costs, which fell by NKr2bn to NKr49.6bn in 1992. Hydro said the effect of higher petroleum production, which rose by 16 per cent to 8.3m tonnes of oil equivalent in 1992, was counteracted by weak oil prices. These fell, on average, by $1 a barrel to $19 in 1992.

Group operating profit rose sharply to NKr2.88bn from NKr925m in 1991, but net financial expenses increased to NKr2.62bn from NKr1.21bn because of a NKr1.39bn foreign currency loss in 1992, compared with a NKr19m gain in 1991.

"The turmoil in currency markets and the rise in the exchange rate for the dollar at the end of the year had a strong impact on Hydro's 1992 result," the company explained, adding that a large part of financial expenses comprised unrealised foreign exchange losses associated with dollar-denominated loans.

For individual operations, agriculture saw salea fall by NKr813m to NKr25.45bn as operating losaes narrowed to NKr237m from NKr649m in 1991.

Oil and gas boosted sales by NKr622m to NKr12.68bn as operating profit rose by NKr154m to NKr2.64bn.

RTZ buys Cordero for $120m

By Kenneth Gooding, Mining Correspondent

ONLY FOUR days after revealing a strategic thrust into the US coal mining business, RTZ Corporation, the world's biggest mining company, is adding to its interests there with the acquisition of Cordero Mining from Sun Company, the US oil and gas group, for $120.5m.

Cordero operates a low-cost, open pit mine in the Powder River Basin near the three mines which RTZ is to acquire from Nerco, the floundering US natural resources company for which it has made a $470m agreed offer.

Mr Bob Wilson, RTZ's chief executive, said at the time of the Nerco purchase last week that RTZ hoped to buy more Powder River coal, as some of the oil and gas companies represented there wanted to quit the business.

He said yesterday the Cordero purchase positions RTZ as a substantial coal producer with about 16 per cent of the Powder River coal production: "RTZ has now established a coal business in the US producing 29m tonnes a year, all from high-quality, long-life mines. We have put together a substantial new business unit, capable of both organic and acquisitive growth." No further US acquisitions were now in the pipeline.

RTZ intends to sell some of the Nerco assets but initially its gearing (debt as a percentage of shareholders' funds) is expected to rise to 63 per cent after the two deals.

Mr Wilson said both the big US credit rating agencies had reaffirmed RTZ's "double A" rating since the Nerco announcement and "the ratings are not expected to require further review as a result of this deal".

The Cordero coal mine, the seventh-largest in the US, opened in 1976, is 25 miles south of Gillette in Wyoming. It produces 12.1m tonnes of low sulphur coal a year and 63 per cent of production is sold under long-term contracts to mid-western and Texan utilities.

At the present production rate, the mine has a 28-year life. Mr Wilson said there is potential to expand annual output at little extra cost to 15.4m tonnes.

Cordero is being acquired free of debt and RTZ expects it to make "a modest positive" contribution to 1993 earnings.

As with the Nerco acquisition, the Cordero deal is subject to US government approval. RTZ expects it to be completed in about 30 days.

INTERNATIONAL COMPANY NEWS

Sun Alliance unit bids for Hafnia

By Hilary Barnes in Copenhagen and Richard Lapper in London

CODAN, the Danish insurance group controlled by the UK's Sun Alliance, has made a bid for Hafnia Insurance and Hafnia Bank. However, it is not interested in acquiring the Hafnia group's strategic shareholdings in its Danish competitor, Baltica, and Sweden's Skandia.

A second Danish insurance group, Alm. Brand, also said that it had made a bid for Hafnia's insurance and banking operations.

Hafnia suspended payments to its creditors last August after sustaining heavy investment losses on its its holdings in Baltica and Skandia.

Hafnia holds 33.6 per cent of the shares in Baltica and 13.8 per cent in Skandia.

Potential bidders had until last Friday to submit bids for Hafnia. Mr Klaus Moe of Hafnia yesterday confirmed that "we have received a number of offers", including that made by Codan and Am Brand. Hafnia would not specify who the other bidders were. Credit Lyonnais, the French bank, Skandia of Sweden, Tryg Forsikring of Denmark and Germany's Allianz, have been linked with Hafnia in the past.

In a possible complication, Codan said it had submitted its bid to Den Danske Bank, Denmark's biggest bank and Hafnia's biggest creditor, rather than to Morgan Stanley, the US securities house which is handling the sale of Hafnia assets.

Codan said its bid would not be submitted to Hafnia Holding "for as long as that company continues to negotiate the sale of Hafnia Holding 1992 (the company which holds both insurance and banking subsidiaries)".

Codan also said it was making its bid conditional on Hafnia negotiating with a "single party ... after examining the bids received", a procedure originally proposed by Hafnia in November 1992.

Sun Alliance would not comment on reports that it might be prepared to reduce its stake from 71.5 per cent to 51 per cent if Codan opted to fund its bid for Hafnia through a share offer.

Wessanen and Bols post earnings gains, lift payouts

By Ronald van de Krol in Amsterdam

WESSANEN, the Dutch foods company, and Bols, the liqueurs and beverages group, posted gains of more than 10 per cent in 1992 profits, in line with forecasts made in January just before they announced plans for a merger.

Wessanen's net profit before extraordinary items rose by 12.7 per cent to Fl 123.9m ($67m).

Turnover fell to Fl 3.7bn from Fl 3.9bn, reflecting the sale of the grain products division in mid-1992 in a deal that generated Fl 45m in net extraordinary income. Wessanen said all of its divisions in Europe and the US contributed to the higher 1992 result.

Bols' net profit rose by 10.1 per cent to Fl 116m from Fl 105.4m a year earlier. Turnover fell to Fl 1.29bn from Fl 1.33bn as a result of more difficult market conditions and unfavourable currency movements. However, improved cost controls helped lift operating profit by 3.9 per cent to Fl 149.9m.

Both companies increased their 1992 dividends, Wessanen's payout rising by 5.9 per cent to Fl 2.84 a share and Bols' by 11.8 per cent to Fl 1.52.

The two companies will publish their merger prospectus on March 8 and hold extraordinary shareholders meetings on March 25.

Bikuben halves its dividend as net loss grows to DKr1.2bn

By Hilary Barnes in Copenhagen

BIKUBEN, Denmark's third-largest bank, halved the dividend to DKr6 per share after reporting a net loss last year of DKr1.2bn ($191.7m) compared with a loss in 1991 of DKr48m.

Mr Borge Munk Ebbesen, chief executive, said the result "is obviously unsatisfactory and is a reflection of the general economic crisis."

He made no forecast for 1993, but said a positive vote in the country's second referendum on the Maastricht treaty on May 18 and lower domestic and international interest rates would be crucial to improving the bank's performance.

Loss provisions last year increased to DKr1.75bn from DKr1.46bn. Last year's provisions included DKr300m against loans to Hafnia, the troubled insurance group.

The value adjustment for securities gave a loss of DKr293m compared with a profit of DKr396m in 1991. The bank's balance sheet was strengthened by new subordinated loan capital – tier 2 capital – last year and despite the large net loss the capital adequacy ratio improved slightly from DKr11.45 per cent to 11.90 per cent. The legal minimum ratio last year was 10 per cent.

● Kreditforening Danmark, one of the two biggest bond-issuing mortgage institutions, reported a DKr1.3bn loss last year against a profit of DKr266m in 1991. Bad loss provisions increased to DKr2.4bn from DKr1.9bn and the value adjustment for securities gave a loss of DKr214m in 1991.

Promodès to buy Discol food wholesale chain

By Alice Rawsthorn

PROMODES, one of France's largest hypermarket groups, is expanding its wholesale interests by buying the Discol chain of food wholesalers from the Pinault-Printemps retail group.

The acquisition, believed to be worth between FFr150m ($26.7m) and FFr200m, will turn Promodès into the largest food wholesaler in France, ahead of Metro, the German company.

Promodès, based in Normandy, is already a leading wholesaler with its Prodirest subsidiary, which made overall sales of FFr1.5bn last year. Discol, which also provides food to restaurants and caterers, mustered turnover of FFr2.6bn in 1992.

The hypermarket sector is one of the most dynamic areas of French retailing, under strain because of the slowdown in consumer spending. But ambitious groups, notably Promodès and Carrefour, have expanded by acquisition recently, increasing pressure on other retailers.

For Pinault, the sale of Discol forms part of an ongoing programme. The group is trying to reduce the FFr19bn of net debt it incurred after the acquisition of the Au Printemps department store group in late 1991 which turned it into ona of France's most powerful retail concerns.

Building society names its new chief executive

By John Gapper, Banking Correspondent

HALIFAX Building Society has completed an eight-month search for a new chief executive by appointing Mr Mike Blackburn, chief executive of the Leeds Permanent Building Society, to take over in August.

Mr Blackburn, chief executive of the Leeds for the past five years, has attracted controversy by criticising aspects of government policy. He will take over at the Halifax when Mr Jim Birrell, the current chief executive, retires at 60.

Halifax, the largest UK society, appointed a firm of headhunters to aid its search for a new chief executive.

UAP share sale fuels Adidas controversy

By Alice Rawsthorn in Paris

UNION des Assurances de Paris, the largest French insurance group, has fuelled the political controversy over last week's sale of Adidas by announcing that it plans to sell its shares in the German sporting goods group.

UAP last week joined forces with two other French state-controlled financial groups in a consortium that bought the controlling stake in Adidas for DM615m ($370.4m) from Mr Bernard Tapie, the controversial businessman recently reappointed to the French cabinet as minister of towns. The involvement of three state companies in the deal has already provoked a political row in France.

Mr Jean Peyrelevade, chairman of UAP, told yesterday's edition of Les Echos, the French financial newspaper, that he had instructed Banque Worms, the UAP subsidiary responsible for the transaction, to withdraw from Adidas "in the near future, as soon as the financial climate is right".

Banque Worms, which originally held a 2 per cent holding in BTF, the German holding company that controls Adidas, raised its stake to 5 per cent under the terms of last week's deal.

Mr Peyrelevade's statement comes only a few days after the French government issued an official denial through the finance ministry that it had exerted any influence over the companies involved with the Adidas transaction. President François Mitterrand on Friday claimed on French television that all three groups had decided to buy shares from Mr Tapie on an independent basis.

Adidas has just emerged from a turbulent period since Mr Tapie took over in summer 1990 when its financial performance deteriorated and its workforce has been racked by protests against rationalisation plans.It saw net profits fall from DM52m in 1990 to DM15m on static sales of DM3.35bn in 1991 and is believed to have gone into the red last year.

Western Mining acquires Outokumpu nickel stake

By Kevin Brown in Sydney

WESTERN MINING Corp (WMC), the Australian resources group, has agreed to buy a 50 per cent share in the Mount Keith nickel deposit in Western Australia from Outokumpu, the Finnish metals group.

The deal will give WMC 100 per cent ownership of Mount Keith, which is expected to start producing about 28,000 tonnes a year of nickel concentrate in early 1995. However, the group will have to fund development costs estimated at A$450m (US$306m).

WMC said it had signed a supply an agreement giving Outokumpu the right to buy 50 per cent of Mount Keith production for 10 years.

Analysts said the deal suggested that WMC would not exercise its right to purchase a 49 per cent share in the Olympic Dam copper/gold/silver/uranium mine in South Australia from BP, its joint venture partner. BP said in November that it would sell the stake for US$456m to Minorco, the overseas investment arm of the Anglo American Corporation-De Beers group of South Africa, unless WMC exercised its right to buy the stake at the same price. Acquisition of the BP shares would make WMC solely responsible for funding proposed expansion costing around A$1bn at Olympic Dam.

The group is also committed to investing A$105m at its Kambalda nickel operations in Western Australia provided the state government moves to allow continuous mining.

WMC acquired its half-share in Mount Keith in 1991 following a bitterly-contested joint takeover with the Normandy Poseidon group of Australian Consolidated Minerals (AMC).

AMC's defence against the bid centred on an attempt to tie up control of Mount Keith by selling a half-share to Outokumpu. However, the manoeuvre backfired when Outokumpu agreed to develop the mine jointly with WMC.

The latest deal with Outokumpu will give WMC access to about 14,000 tonnes of nickel concentrate a year from Mount Keith to feed its smelter operations at Kambalda. The group produced about 50,000 tonnes of nickel last year.

Outokumpu said the supply agreement was in line with plans to expand and modernise its Harjavalta smelter, which will process the concentrate from Mount Keith. The group said its involvement in a number of "promising" nickel exploration projects would ensure raw material for an expanded smelter "far into the future".

Diners Club card unit in talks

DINERS CLUB Deutschland, the German credit card business of Citicorp of the US, said it was continuing talks with banks about a possible partnership, AP-DJ reports from Frankfurt.

The company said the main goal was marketing and distribution through a bank's branch network.

Citicorp did not indicate how many banks it had spoken to in recent months and the number with whom it was still in discussions. Diner's Club did not comment on talks with Deutsche Bank.

● Kansallis-Osake-Pankki, the Finnish bank, said it would propose bonus and rights issues and a cut in the nominal value of the KOP share to FM10 ($1.7) from FM20 ($3.4) as part of a programme to safeguard its capital adequacy, Reuter reports from Helsinki.

● THE Swedish government and the country's main co-operative association said they were ready to sell a 76 per cent stake in Nordic oil group OK Petroleum, Reuter reports from Stockholm.

A foreign oil company without major Swedish market activity was the most likely buyer, the head of the association said.

"KF has agreed with the industry ministry to a joint sale of the partners' shareholding in OK," the co-operative group KF, which owns 52 per cent of OK, said. "OK has a

NEWS IN BRIEF

large [Swedish] market share and a private [oil] corporation is the most likely buyer," Mr Roland Svensson, the KF managing director said.

● Brau und Brunnen, the German brewing company, said it planned to hold its dividend on 1992 results at an unchanged DM5 per share.

Total turnover of the holding company, which includes drinks and property units, rose 6 per cent to DM1.7bn ($1bn) last year and its results were positive, it said. Brau und Brunnen invested over DM350m in 1992, and total drink sales rose 4 per cent to 13m hectolitres.

The group's breweries sold 4 per cent less despite a 2 per cent rise in the beer market, but alcohol-free sales grew 14 per cent, more than twice the market average.

● BASF's pharmaceuticals unit, Knoll, said it planned a reduction in domestic production, blaming a drop in drugs sales due to Bonn government health reforms, Reuter reports from Frankfurt.

Knoll said talks were being held about introducing short-term work at its Nordmark Arzneimittel unit in north Germany. Talks were also taking place about the scope and nature of output cuts at the Knoll parent in Ludwigshafen, but the company hoped to avoid short-term working there.

● GEC Alsthom, the Franco-British engineer, said that it and AEG signed a memorandum of understanding to form a joint venture, LKR Kanis-Service. The new group will manage the electrical machine repair and maintenance business of AEG Kanis. GEC Alsthom will acquire the AEG Kanis factory in Essen.

INTERNATIONAL COMPANIES AND FINANCE

Ameritech unveils restructuring

By Martin Dickson in New York

AMERITECH, the Chicago-based "Baby Bell" telephone company, yesterday announced a sweeping internal reorganisation and unveiled a radical plan for introducing competition into the US local telecommunications market.

Its initiative is an important contribution to the growing US debate over the future of the nation's local telecommunications industry in general, and the seven regional "Baby Bell" companies in particular.

The local telecommunications market remains monopolistic, divided up between the "Baby Bells" and independent service companies, such as GTE. However, these monopolies are coming under increasing threat, due to regulatory and technological change, and the regional companies have been looking for new strategies to respond to the competition posed by wholesale telecommunications companies, cellular companies and cable television businesses with telephone ambitions.

Ameritech's plan for local competition is believed to be the first such proposal by a "Baby Bell" company, although New York's independent Rochester Telephone also unveiled a ground-breaking scheme this month.

The move by Ameritech, which provides telecommunications services to 12m customers in the mid-west, has two distinct parts. First, it intends to create 12 new market-focused business units, each bearing the holding company's name, rather than organising itself around Bell operating companies in each of the states where it operates.

Eleven of the units will be organised around a specific type of service to the customer - for example, small business services or pay phone services. The 12th will run the telecommunications network.

Mr William Weiss, Ameritech's chairman, said it was "dramatically simplifying" the way customers dealt with the company by putting its marketing initiatives and services under a single brand name. He also stressed the restructuring was not a "realizing process" - a euphemism for job cuts.

The second part of the initiative is far more dramatic in scope, but less likely to materialise in the near-term, because it involves wholesale changes to the US telecommunications industry framework, involving a multiplicity of federal and local regulatory agencies.

Ameritech says it will file next month with the Federal Communications Commission, the government agency which regulates the communications industry, a plan to open up its local telephone network to competition by separating its transport services from switching services, which direct telephone calls.

Russian Orthodox Church to start bank

By Kerin Hope in Athens

THE ORTHODOX Church of Russia is setting up a bank in Moscow, with backing from Greek and Cypriot investors.

The bank, to be called Orthodox Bank, will be managed by Egnatia Bank, a private Greek concern, under an agreement with the Church's education and training department. It is due to start operating this autumn.

The bank's start-up capital will amount to $10m, to be covered by Greek businessmen based in Greece, the US and Cyprus, rising to $30m within five years.

The church will not contribute to the bank's equity but will provide premises for its offices in Moscow and later in other Russian cities. The Orthodox Church is gradually regaining control of assets which were confiscated under communism.

Mr Andreas Boumis, chairman of Egnatia Bank, said the new bank would initially offer wholesale services, catering for the increasing number of Greek companies setting up joint ventures in Russia.

"But we would want to get into retail banking in the rouble market once the currency situation becomes more stable," he added.

Egnatia Bank, established two years ago by a group of northern Greek businessmen, has undertaken to set up a computer system for the new bank and to train its staff.

Sears, Roebuck looks for $800m from offer of its finance arm

By Lauries Morse in Chicago

SEARS, Roebuck, the US stores group, expects to raise about $800m from the initial public offering of Dean Witter, Discover, its financial services operations.

The offering of Sears' brokerage and credit card units is the first of a series of spin-offs for the Chicago-based group.

Dean Witter, Discover planned to sell 29.5m shares, or about 20 per cent of its stock, yesterday, with about 15 per cent of the shares reserved for employees.

The remainder of the company will be spun off to Sears' shareholders by the end of this year. Sears will receive a $560m special dividend from Dean Witter, Discover when the spin-off is completed.

The anticipated price of the offering has risen substantially since the preliminary prospectus was released in December, when the company predicted a price of $20 to $22 per share.

Yesterday, Dean Witter officials said they expected the price to be $25 to $27 per share, and that the offering appeared to be oversubscribed.

The Dean Witter, Discover sale is part of Sears' strategy to return to its core business of retailing. Sears also plans to sell portions of its Allstate insurance and Coldwell Banker property businesses.

Analysts said Dean Witter was the most attractive of Sears' planned offerings, with solid earnings and steady cash-flow from its large mutual fund and managed money operations.

Dean Witter, Discover had 1992 earnings of $439.1m, including a one-time gain of $32.1m, up from $344.6m in 1991.

Profits were distributed nearly evenly between credit card and securities broking operations. Despite the Dean Witter profits, Sears Roebuck lost a record $3.9bn in 1992.

Banks buy into minerals group

By Bernard Simon in Toronto

TWO French banks, Credit Lyonnais and Société Générale, have invested C$13m (US$10.4m) in Dia-Met Minerals, a British Columbia company which is at the centre of a stampede for diamonds in Canada's Northwest Territories.

The banks have bought 350,000 Dia-Met shares, equal to 3.5 per cent of the total outstanding, in a private placement priced at C$39 a share.

The deal was put together by First Marathon Securities of Toronto. Dia-Met's share price has soared in the past year from less than C$5 to a peak of C$60 in the wake of its discovery of diamonds in the Lac de Gras area, 350km north-east of Yellowknife.

The company said last May that a sample of 160 tonnes of ore had yielded at least 90 carats of diamonds, of which about a quarter appeared to be of gem quality. BHP, the Australian mining group, has rights to a majority interest in the Dia-Met property. De Beers and Kennecott, the North American subsidiary of Britain's RTZ, are among numerous other companies which have joined the diamond stampede, in which a total of about 23m acres has been staked.

Mr John Lydall, First Marathon's mining analyst, said in a report that exploration was still at an early stage and "a huge amount of work remained to be done. He said "this entire exploration play remains an opportunity for prudent speculation".

Citicorp move

PRINCE Alwaleed Bin Talal, the largest individual shareholder in Citicorp, has said he might sell up to 12.8m shares in the bank over the next three months, agencies report.

The plan, filed with the US Securities and Exchange Commission on Friday, comes two years after the Saudi Arabian businessman made a $590m infusion into Citicorp, the largest US commercial bank.

Strong drugs sales give Chugai 38% advance

By Charles Leadbeater in Tokyo

CHUGAI Pharmaceuticals, the leading Japanese pharmaceuticals manufacturer specialising in anti-cancer drugs, yesterday reported a 38.5 per cent increase in unconsolidated pre-tax profits to Y14.65bn ($122m) in the year to the end of December.

The sharp rise in profits was produced by a mixture of cost-cutting and strong sales of prescription drugs.

Chugai's sales rose by 7.5 per cent to Y143.21bn, buoyed by strong sales of prescription drugs.

Net profits rose by 27 per cent to Y5.25bn despite extraordinary losses from investment in an overseas subsidiary. The company has also dissolved a joint venture with Upjohn, the US pharmaceuticals group.

The dividend is being maintained at Y7.5, and earnings per share rose from Y18.75 for the previous year to Y21.29, slightly below expectations.

Goodyear to buy shares of Canada unit

GOODYEAR Tire & Rubber, the US manufacturer, is to buy the common shares of Goodyear Canada it does not already own for C$65 (US$52) per share, Reuter reports from Toronto.

Goodyear Canada said there were about 288,000 common shares in the public float and the total purchase price would be about C$18.72m. On completion of the deal, Goodyear Canada will become a wholly-owned unit of Goodyear Tire.

If approved, the deal will let shareholders realise a 38 per cent premium over the last sale price on the Toronto Stock Exchange of C$47 per share, the company added.

A special committee of independent Goodyear Canada directors will consider the proposal and report to the board. The transaction is subject to the approval of the committee, as well as shareholders of Goodyear Canada, including those other than Goodyear Tire, at a meeting due to be held in May. The deal is also subject to regulatory approval.

● Mr Terry Brennan, Coca-Cola Beverages vice-president and chief financial officer, said he expected the company to post a loss in the fourth quarter which was likely exceed forecasts of around C$0.25 per share, Reuter reports from Toronto.

Coca-Cola Beverages, Canada's largest bottler of soft drink products, is due to report earnings tomorrow.

Turkey to sell cement companies

By John Murray Brown in Ankara

TURKEY hopes to raise $218m by selling five state-owned cement companies in the latest stage of an ambitious plan to sell TL25,000bn ($2.7bn) of state shares in 1993.

For the second time, the Public Participation Administration, the state agency handling privatisation, yesterday issued an offer for the block sale of the Adiyaman, Askale, Bartin, Ladik and Sanliurfa factories, setting a minimum price above which negotiations will start. Bids have to be submitted by March 29.

Cement has proved to be the most attractive investment sector for foreign investment in Turkey. The market, with sales of around 26,000 tonnes in 1991, equals those of France and Spain, and is growing by some 5 per cent a year.

Ciments Français, now owned 86 per cent owned by Italcementi, already has seven plants, having invested around $350m. Lafarge Coppee and Vicat of France have also bought Turkish factories.

Industry officials expect further foreign interest in the latest offer. Lafarge, the world's largest concrete and aggregates producer, is expected to make a bid for Askale, which the PPA has valued at $30m.

Holderbank of Switzerland is also understood to be interested in acquiring Turkish operations.

In November, the PPA raised $281m through the sale of six cement companies but, despite foreign interest, all were sold to local concerns.

The PPA yesterday announced plans to sell by public offering its outstanding 20 per cent stake in Netas the local subsidiary of Northern Telecom of Canada.

The timing was probably influenced by the sharp upturn in the Istanbul stock market, with the index reaching an all-time high on Thursday, following government moves to bring down bank interest rates.

Earlier this month, the PPA concluded the block sale of 20 per cent to Northern Telecom, raising $215m and making the Canadian company Netas's majority partner.

The PPA also raised $115m this month by selling two state-owned power utilities to the local Uzan group. Uzan's Rumeli Holding also bought two state cement factories.

TNT loss rises to A$74m in first six months

By Kevin Brown in Sydney

TNT, the Australian transport group, yesterday announced an equity-accounted net loss of A$74.5m (US$50.6m) for the six months to the end of December, compared with a loss of A$51m in the corresponding period of the previous year.

TNT warned that trading conditions in the third quarter would be difficult because of seasonal factors, and ruled out a resumption of dividend payments, cancelled last year.

The group reported equity-accounted operating profit of A$38.3m, compared with a loss of A$17.5m in the previous first half. Sales revenue was down 36 per cent to A$1.5bn, reflecting the disposal of non-core businesses.

The biggest improvement was recorded by Ansett Transport Industries, the airline group owned by TNT and News Corporation. It contributed a profit of A$18.7m, against a loss of A$35.5m.

The return to profit at the operating level was in line with directors' forecasts at the end of last year, when the group reported a net loss of more than A$200m.

But net profit was cut by abnormal losses of A$80.8m due to foreign exchange losses and the start-up costs of the GD Express Worldwide joint venture with a group of European and North American post offices.

Mr David Mortimer, managing director, said TNT still had "a long way to go", But he was "reasonably optimistic" that the group would report a net profit in the first six months of next year.

David Mortimer: sees TNT returning to profit next year

Mr Mortimer said several expressions of interest had been received from potential investors in Ansett following indications from both joint venturers that their shares were for sale.

TNT shares closed 1 cent lower at 78 cents on the Australian Stock Exchange.

● McIlwraith McEacharn, the Australian mining and shipping group, said "a number of overseas companies" were considering the purchase of a 46 per cent stake in the company owned by TNT.

Australian coal mining companies have shown little interest in the shares, which would give the buyer access to McIlwraith's 41 per cent stake in Oakbridge, the New South Wales coal producer.

Ansett Transport recovers

ANSETT Transport Industries, the Australasian domestic airline company jointly owned by TNT and News Corporation, returned to profit in the fiscal first half to December 1992, AP-DJ reports from Sydney.

TNT said Ansett Transport Industries contributed an after-tax underlying profit of A$8.8m (US$5.9m) to its results in the six-month period. That compares with a loss of A$17.3m the previous year.

However, after accounting for abnormal, or unusual, items, Ansett Transport Industries contributed a A$28.8m loss to TNT's result, widening from a loss of A$25.5m a year earlier.

The abnormal loss at Ansett was due to unrealised foreign exchange losses.

Premier moves into SA dairy products

By Philip Gawith in Johannesburg

PREMIER Group, one of South Africa's largest food companies, is to acquire a foothold in the country's dairy industry by paying about R150m ($48m) for a strategic stake in Bonnita Holdings, the Cape-based milk products group.

Mr Peter Wrighton, Premier chairman, said it had been attracted by the quality of Bonnita's management, products and facilities. Dairy products was also an area of the food market where Premier was not represented.

Bonnita processes approximately 28 per cent of South Africa's total milk production, operates the largest milk powder and cheese factories in southern Africa, and is responsible for one-third of the country's total gouda and cheddar cheese production.

Bonnita Holdings is controlled by Cape Dairy Co-operative. It was formed in June 1992 to hold the entire share capital of Bonnita, the operating company, which is an amalgamation of a number of long-established dairy co-operatives in the eastern, southern and western Cape.

The purpose of the restructuring was to provide a means of raising capital from outside the agricultural sector. Bonnita has experienced rapid growth in recent years that would have been curtailed without new finance.

Negotiations have been concluded for Premier to inject R100m in new capital into Bonnita, thereby acquiring a 28.6 per cent stake. After a cash offer to existing members, Premier estimates it will hold 35 to 40 per cent of the restructured company, at a cost of about R150m.

Premier intends to raise its stake in Bonnita, with a listing on the Johannesburg Stock Exchange planned within the next three years.

Bonnita's annual sales are about R650m, while Premier's annual turnover is about R11bn.

Tremors follow Showa Shell's futures shock

Michiyo Nakamoto on new calls for timely settlement of foreign exchange contracts

THE calm that pervades the offices of Showa Shell Sekiyu, the Japanese oil refiner and distributor 50 per cent owned by Royal Dutch/Shell, belies the shock that ran through Japanese industry on hearing at the weekend that it had incurred an estimated Y125bn ($1.05bn) in losses on foreign exchange futures contracts.

Japan's Ministry of International Trade and Industry responded with criticism of Showa Shell's currency dealings and by asking other Japanese oil companies whether they were involved in similar transactions.

Mr Yuji Tanahashi, vice-minister of trade, said it was regrettable that a leading Japanese company had posted a huge latent loss by engaging in foreign currency speculation without the knowledge of top management.

Shares in Showa Shell fell Y300 yesterday, the maximum daily fall allowed under Japanese rules, as investors calculated the long-term consequences. Depending on how far the yen appreciates, its losses could rise to Y160bn.

What has shocked the Japanese, apart from the scale of the losses, was how they were accumulated over four years without the knowledge of anyone outside the small group of staff involved in Showa Shell's foreign currency dealings.

Mr Takeshi Henmi, the company's president, explained at the weekend that a small group of staff at the company's treasury department, who were responsible for foreign exchange trading, began placing forward contracts to buy the US dollar in 1989 on speculation that it would rise against the yen.

However, the dollar failed to rise. Rather than settle the contracts at a loss, the group rolled over the contracts in the hope that eventually the dollar would move in its favour, or at least limit its losses.

The average exchange rate at which the group placed buy orders was Y145 a dollar, while the yen rose to about Y126 at the end of last year. Since then, it has appreciated further to Y116.85 at yesterday's close in Tokyo.

What made it easy for the group to keep knowledge of the dealings from the company's management was its ability to roll over, or postpone, the futures contracts indefinitely. That is, instead of paying for the dollars they agreed to buy, the group continued to postpone settlement of its contracts over several years.

Another factor which helped conceal the accumulated losses was the fact that, under Japanese accounting rules, companies are not required to disclose unrealised losses in their annual figures. Since the losses at Showa Shell have not actually been incurred, they have not been reported in any of its accounts.

On those occasions over the four years when the dollar came close to Y145 the group at Showa Shell was able to reduce its losses to some extent.

In the event, however, the yen's rise against the dollar proved too large to combat. With latent accumulated losses amounting to about 82 per cent of the company's capital of Y153bn, the group was left with little choice but to go public.

The company is conducting an internal investigation. But it has made clear that the group of staff involved was in breach of internal company rules on foreign currency dealings and would be disciplined.

The ministries of both trade and finance would like to portray the development as an isolated case. But the extent of the losses, together with the fact that they did not surface for so long, raises questions about the wisdom of allowing companies to roll over currency futures contracts for an indefinite period.

Last July, in an attempt to bring Japanese foreign exchange dealing practices more into line with those in the rest of the world, Japan's Federation of Bankers Associations agreed that banks should not allow companies to roll over futures contracts without specific business reasons for doing so.

The Finance Ministry takes the view that the risks of foreign currency transactions are a matter for individual banks and companies to deal with and are not a matter for the ministry to meddle in. Nonetheless, it is said to have warned Japanese banks of the risks involved in allowing companies to postpone settlement of their futures contracts – widespread practice until recently, according to industry sources.

Showa Shell expects to cover its losses over a period of 2½ to three years by selling assets, including stocks and property.

The company has emphasised that it will not cut the Y8 annual dividend, but the scale of the losses is expected to keep it under considerable strain for some time to come.

Tax laws blamed for rethink at Lippo

By William Keeling in Jakarta

LIPPO, one of Indonesia's largest property and financial services companies, has withdrawn a corporate restructuring plan announced last year.

Under the plan, holdings in six subsidiaries were to be transferred to Lippo Pacific Finance (LPF), a quoted company, in a move expected to cost Rp250bn ($121m).

Lippo says changes in Indonesian tax laws last September have made the cost of the restructuring prohibitive. "The process was too bureaucratic and the potential tax liabilities much higher than planned," one executive noted.

Under the restructuring, LPF was to acquire up to 51 per cent of Lippobank, Lippolife, Lippoland, Lippo Industries and Multipolar – all quoted companies in which Mr Mochtar Riady, the group's founder, is a leading shareholder. LPF was also to acquire 100 per cent of Lippo Merchants, a privately-owned finance company.

Brokers say consolidating the group under LPF could have solved the illiquidity which has plagued trading in some subsidiaries' shares. The price of Lippo Industries' shares last moved in November, while Lippo Life's share price has remained stagnant since September.

But Lippo executives are bullish about the group. Its assets in Indonesia are split between the banking sector ($2.25bn) and non-banking, mainly property, sectors ($900m). It also has assets of about $1.5bn outside Indonesia, mainly in Hong Kong.

The group's Indonesian businesses should grow at 20 to 30 per cent a year in the medium term, executives forecast. Such growth is "not necessarily spectacular" given Indonesia's risks as a developing country, an official explained.

Cost-cuts help Sapporo to 18.2% rise

By Emiko Terazono in Tokyo

SAPPORO Breweries, a leading Japanese food and beverage company, yesterday reported a rise in profits for the year to December on firm beer sales and aggressive cost-cutting.

The company posted an 18.2 per cent rise in non-consolidated pre-tax profits to Y10.7bn ($90m) on a 3.5 per cent increase in sales to Y551.7bn. The company's operating profits surged 98.4 per cent to Y12.6bn.

Sapporo said it cut costs by Y6.1bn in marketing and other areas. It also gained Y11.3bn in its sale of securities holdings and recorded evaluation losses on its securities portfolio of Y5.5bn.

However, the company's after-tax profits fell 9.4 per cent to Y3.6bn due to a rise in extraordinary losses caused by the liquidation of its can-manufacturing subsidiary.

Instability knocks SA leisure group's profits

By Philip Gawith

POLITICAL instability and recession caused earnings to fall by 9 per cent in the six months to December at Kersaf Investments, the South African leisure and entertainment group in the Safren group.

Turnover rose 9 per cent to R1.1bn ($352m). But tight margins saw operating profit fall 3 per cent to R352.6m.

Attributable earnings fell by 6 per cent to R81m, with earnings per share down by 9 per cent to 105 cents. The interim dividend was maintained at 66 cents a share.

Mr Buddy Hawton, executive chairman, said the political instability had depressed spending on leisure. Gaming profits at Sun International – with interests in local, regional and offshore hotels – had been affected by the proliferation of unregulated casinos. Occupancies fell by 4 percentage points to 62 per cent.

Woolworths IPO advisers

ADELAIDE Steamship, the Australian investment group, has named the advisers for the initial public offering of Woolworths, although it says there is still no firm timetable for the sale, AP-DJ reports from Sydney.

The IPO, expected to raise about A$2bn (US$1.35bn), was deferred in September after the stock market weakened. Adsteam named BT Corporate Finance, a unit of Bankers Trust Australia, strategic adviser.

Mr Terry Campbell, of J. B. Were & Son brokerage, and Mr John McIntosh, of McIntosh, have been appointed as broking advisers.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, February 22, 1993. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	68.213	41.8776	58.641
Albania	(Lek)	160.16	110.076	67.578	94.6292
Algeria	(Dinar)	33.0366	22.7055	13.934	19.5194
Andorra	(Fr Fr)	8.04	5.5257	3.3924	4.7503
	(Sp Peseta)	173.00	118.9	72.9957	102.216
Angola	(Kwanza)	10817.8	7434.91	4564.47	6391.61
Antigua	(E Carr $)	3.9312	2.7018	1.6587	2.3227
Argentina	(Peso)	1.4540	0.9993	0.6135	0.859
Aruba	(Florin)	2.6062	1.7912	1.0996	1.5398
Australia	(Aus $)	2.1120	1.4515	0.8911	1.2478
Austria	(Schilling)	16.695	11.4742	7.0443	9.8641
Azores	(Port Escudo)	218.35	150.069	92.1308	129.01
Bahamas	(Bahama $)	1.4550	1	0.6139	0.8596
Bahrain	(Dinar)	0.5482	0.3767	0.2313	0.3238
Balearic Is	(Sp Peseta)	173.00	118.9	72.9957	102.216
Bangladesh	(Taka)	56.8602	39.0791	23.9916	33.5953
Barbados	(Barb $)	2.9285	2.0127	1.2356	1.7302
Belgium	(Belg Fr)	48.95	33.6426	20.654	28.9217
Belize	(B $)	2.9120	2.0013	1.2286	1.7205
Benin	(CFA Fr)	402.00	276.289	169.62	237.518
Bermuda	(Bermudian $)	1.4550	1	0.6139	0.8596
Bhutan	(Ngultrum)	43.6351	29.9897	18.4114	25.7814
Bolivia	(Boliviano)	6.0278	4.1428	2.5433	3.5614
Botswana	(Pula)	3.3539	2.305	1.4151	1.9816
Brazil	(Cruzeiro)	27805.75	19110.5	11732.4	16428.8
Brunei	(Brunei $)	2.3845	1.6388	1.0061	1.4088
Bulgaria	(Lev)	37.88	26.0343	15.9831	22.381
Burkina Faso	(CFA Fr)	402.00	276.289	169.62	237.518
Burma	(Kyat)	9.4752	6.5121	3.9979	5.5983
Burundi	(Burundi Fr)	338.51	232.653	142.831	200.006
Cambodia	(Riel)	2912.00	2001.37	1228.69	1720.53
Cameroon	(CFA Fr)	402.00	276.289	169.62	237.518
Canada	(Canadian $)	1.8370	1.2625	0.7751	1.0853
Canary Is	(Sp Peseta)	173.00	118.9	72.9957	102.216
Cp. Verde	(CV Escudo)	108.0352	74.2509	45.5844	63.8317
Cayman Is	(CI $)	1.2376	0.8505	0.5221	0.7312
Cent. Afr. Rep	(CFA Fr)	402.00	276.289	169.62	237.518
Chad	(CFA Fr)	402.00	276.289	169.62	237.518
Chile	(Chilean Peso)	564.56	388.014	238.211	333.566
China	(Renminbi Yuan)	8.3796q	5.7591	3.5356	4.951
Colombia	(Col Peso)	1202.889	826.728	507.548	710.717
CIS ‡	(Rouble)	0.8550o	0.5876	0.3607	0.5051
		801.89m	551.127	338.35	473.79
Comoros	(CFA Fr)	402.00	276.289	169.62	237.518
Congo (Brazz)	(CFA Fr)	402.00	276.289	169.62	237.518
Costa Rica	(Colon)	201.423	138.435	84.9886	119.009
Côte d'Ivoire	(CFA Fr)	402.00	276.289	169.62	237.518
Croatia	(Dinar)	1615.91	1110.59	681.819	954.747
Cuba	(Cuban Peso)	1.1028	0.7579	0.4653	0.6515
Cyprus	(Cyprus £)	0.7136	0.4904	0.301	0.4216
Czech Rep.	(Koruna)	41.97c	28.8453	17.7088	24.7976
		40.40t	27.7663	17.0464	23.87
Denmark	(Danish Kroner)	9.10	6.2542	3.8396	5.3766
Djibouti Rep	(Djib Fr)	256.00	175.945	108.017	151.256
Dominica	(E Carrib $)	3.9312	2.7018	1.6587	2.3227
Dominican Rep	(D Peso)	18.9280	13.0089	7.9864	11.1834
Ecuador	(Sucre)	2688.50o	1847.77	1134.39	1588.48
		2693.60a	1851.27	1136.54	1591.49
Egypt	(Egyptian £)	4.8350	3.323	2.04	2.8567
El Salvador	(Colon)	12.8419	8.826	5.4185	7.5875
Equat'l Guinea	(CFA Fr)	402.00	276.289	169.62	237.518
Estonia	(Kroon)	18.9040	12.9924	7.9763	11.1692
Ethiopia	(Ethiopian Birr)	7.1998	4.9483	3.0378	4.2539
Falkland Is	(Falk £)	1.00	0.6872	0.4219	0.5908
Faroe Is	(Danish Kroner)	9.10	6.2542	3.8396	5.3766
Fiji Is	(Fiji $)	2.2785	1.5659	0.9613	1.3462
Finland	(Markka)	8.5365	5.867	3.6018	5.0437
France	(Fr)	8.04	5.5257	3.3924	4.7503
Fr. Cty/Africa	(CFA Fr)	402.00	276.289	169.62	237.518
Fr. Guiana	(Local Fr)	8.04	5.5257	3.3924	4.7503
Fr. Pacific Is	(CFP Fr)	145.00	99.6563	61.1814	85.672
Gabon	(CFA Fr)	402.00	276.289	169.62	237.518
Gambia	(Dalasi)	12.7269	8.747	5.37	7.5195
Germany	(D-Mark)	2.3700	1.6288	1	1.4002
Ghana	(Cedi)	837.20	575.395	353.249	494.653
Gibraltar	(Gib £)	1.00	0.6872	0.4219	0.5908
Greece	(Drachma)	320.15	220.034	135.084	189.158
Greenland	(Danish Kroner)	9.10	6.2542	3.8396	5.3766
Grenada	(E Carr $)	3.9312	2.7018	1.6587	2.3227
Guadaloupe	(Local Fr)	8.04	5.5257	3.3924	4.7503
Guam	(US $)	1.4550	1	0.6139	0.8596
Guatemala	(Quetzal)	7.8187	5.3736	3.299	4.6196
Guinea	(Fr)	1182.69	812.845	499.025	698.783
Guinea-Bissau	(Peso)	7280.00	5003.44	3071.73	4301.33
Guyana	(Guyanese $)	183.456	126.087	77.4075	108.394
Haiti	(Gourde)	17.4720	12.0082	7.3721	10.3231
Honduras	(Lempira)	8.5758	5.894	3.6184	5.0669
Hong Kong	(HK $)	11.2465	7.7295	4.7453	6.6449
Hungary	(Forint)	125.8421	86.4894	53.0979	74.3527
Iceland	(Icelandic Krona)	94.1599	64.7147	39.7299	55.6336
India	(Indian Rupee)	43.6351	29.9897	18.4114	25.7814
Indonesia	(Rupiah)	3008.75	2067.87	1269.51	1777.7
Iran	(Rial)	2200.0v	1485	928.27	1299.85
		98.50v	66.3	41.5611	58.1979
Iraq	(Iraqi Dinar)	0.5936	0.4079	0.2504	0.3507
Irish Rep	(Punt)	0.9735	0.669	0.4107	0.5751
Israel	(Shekel)	4.0840	2.8068	1.7232	2.4129
Italy	(Lira)	2291.75	1575.09	966.983	1354.06
Jamaica	(Jamaican $)	32.1339	22.0851	13.5586	18.986
Japan	(Yen)	169.25	116.323	71.4135	100
Jordan	(Jordanian Dinar)	1.0061	0.6914	0.4245	0.5944
Kenya	(Kenya Shilling)	53.0712	36.475	22.3929	31.3566
Kiribati	(Australian $)	2.1120	1.4515	0.8911	1.2478
Korea North	(Won)	3.1304	2.1514	1.3208	1.8495
Korea South	(Won)	1158.30	796.082	488.734	684.372
Kuwait	(Kuwaiti Dinar)	0.4473	0.3074	0.1887	0.2642
Laos	(New Kip)	1048.32	720.495	442.329	619.391
Lebanon	(Lebanese £)	2542.81	1747.64	1072.92	1502.4
Lesotho	(Maluti)	4.54575	3.1241	1.918	2.6857
Liberia	(Liberian $)	1.4550	1	0.6139	0.8596
Libya	(Libyan Dinar)	0.4217	0.2898	0.1779	0.2491
Liechtenstein	(Swiss Fr)	2.1825	1.5	0.9208	1.2895
Luxembourg	(Lux Fr)	48.95	33.6426	20.654	28.9217
Macao	(Pataca)	11.6301	7.9931	4.9072	6.8715
Madagascar	(MG Fr)	2693.60	1851.27	1136.54	1591.49
Madeira	(Port Escudo)	218.35	150.069	92.1308	129.01
Malawi	(Kwacha)	6.3773	4.383	2.6908	3.7679
Malaysia	(Ringgit)	3.8240	2.6281	1.6135	2.2593
Maldive Is	(Rufiya)	17.4356	11.9832	7.3567	10.3016
Mali Rep	(CFA Fr)	402.00	276.289	169.62	237.518
Malta	(Maltese £)	0.5545	0.381	0.2339	0.3276
Martinique	(Local Fr)	8.04	5.5257	3.3924	4.7503
Mauritania	(Ouguiya)	154.3360	106.073	65.1206	91.1881
Mauritius	(Maur Rupee)	25.0432	17.2118	10.5667	14.7965
Mexico	(Mexican Peso)	4.4983	3.0916	1.898	2.6577
Miquelon	(Local Fr)	8.04	5.5257	3.3924	4.7503
Monaco	(French Fr)	8.04	5.5257	3.3924	4.7503
Mongolia	(Tugrik)	218.40	150.103	92.1518	129.04
Montserrat	(E Carr $)	3.9312	2.7018	1.6587	2.3227
Morocco	(Dirham)	12.9737	8.9166	5.4741	7.6654
Mozambique	(Metical)	4009.22	2755.48	1691.65	2368.82
Namibia	(S A Rand)	4.54575	3.1241	1.918	2.6857
Nauru Is	(Australian $)	2.1120	1.4515	0.8911	1.2478
Nepal	(Nepalese Rupee)	66.4373	45.6613	28.0326	39.2539
Netherlands	(Guilder)	2.6650	1.8316	1.1244	1.5745
N'nd Antilles	(A/Guilder)	2.6062	1.7912	1.0996	1.5398
New Zealand	(NZ $)	2.80425	1.9272	1.1832	1.6568
Nicaragua	(Gold Cordoba)	8.7360	6.0041	3.686	5.1615
Niger Rep	(CFA Fr)	402.00	276.289	169.62	237.518
Nigeria	(Naira)	36.3854	25.0071	15.3524	21.498
Norway	(Nor. Krone)	10.1075	6.9467	4.2647	5.9719
Oman	(Rial Omani)	0.5598	0.3847	0.2362	0.3307
Pakistan	(Pak. Rupee)	37.9625	26.091	16.0179	22.4298
Panama	(Balboa)	1.4550	1	0.6139	0.8596
Papua New Guinea	(Kina)	1.4285	0.9817	0.6027	0.844
Paraguay	(Guarani)	2414.05	1659.14	1018.59	1426.32
Peru	(New Sol)	2.53	1.7388	1.0675	1.4948
Philippines	(Peso)	36.1089	24.817	15.2357	21.3345
Pitcairn Is	(£ Sterling)	1.00	0.6872	0.4219	0.5908
	(NZ $)	2.80425	1.9272	1.1832	1.6568
Poland	(Zloty)	23693.0	16283.8	9997.05	13998.8
Portugal	(Escudo)	218.35	150.069	92.1308	129.01
Puerto Rico	(US $)	1.4550	1	0.6139	0.8596
Qatar	(Riyal)	5.2944	3.6387	2.2339	3.1281
Reunion Is. de la	(F Fr)	8.04	5.5257	3.3924	4.7503
Romania	(Leu)	766.64q	526.9	323.477	452.963
Rwanda	(Fr)	208.88	143.56	88.135	123.415
St Christopher	(E Carr $)	3.9312	2.7018	1.6587	2.3227
St Helena	(£)	1.00	0.6872	0.4219	0.5908
St Lucia	(E Carr $)	3.9312	2.7018	1.6587	2.3227
St Pierre	(French Fr)	8.04	5.5257	3.3924	4.7503
St Vincent	(E Carr $)	3.9312	2.7018	1.6587	2.3227
San Marino	(Italian Lira)	2291.75	1575.09	966.983	1354.06
Sao Tome	(Dobra)	349.44	240.165	147.443	206.464
Saudi Arabia	(Riyal)	5.45175	3.7468	2.3002	3.221
Senegal	(CFA Fr)	402.00	276.289	169.62	237.518
Seychelles	(Rupee)	7.5712	5.2035	3.1945	4.4733
Sierra Leone	(Leone)	778.96	535.368	328.675	460.242
Singapore	($)	2.3845	1.6388	1.0061	1.4088
Slovakia	(Koruna)	41.97c	28.8453	17.7088	24.7976
		40.40t	27.7663	17.0464	23.87
Slovenia	(Tolar)	146.6062	100.76	61.8591	86.621
Solomon Is	($)	4.5505	3.1274	1.92	2.6886
Somali Rep	(Shilling)	3814.72	2621.8	1609.59	2253.9
South Africa	(Rand)	4.54575c	3.1241	1.918	2.6857
		6.5815g	4.5233	2.777	3.8886
Spain	(Peseta)	173.00	118.9	72.9957	102.216
Spanish Ports in N Africa	(Sp Peseta)	173.00	118.9	72.9957	102.216
Sri Lanka	(Rupee)	67.2211	46.2	28.3633	39.717
Sudan Rep	(Dinar)	14.560	10.0068	6.1434	8.6026
Surinam	(Guilder)	2.5990	1.7862	1.0966	1.5355
Swaziland	(Lilangeni)	4.54575	3.1241	1.918	2.6857
Sweden	(Krona)	11.05	7.5945	4.6624	6.5288
Switzerland	(Fr)	2.1825	1.5	0.9208	1.2895
Syria	(£)	30.5760	21.0144	12.9012	18.0655
Taiwan	($)	37.725	25.9278	15.9177	22.2895
Tanzania	(Shilling)	496.49	341.23	209.489	293.347
Thailand	(Baht)	36.9096	25.3674	15.5736	21.8077
Togo Rep	(CFA Fr)	402.00	276.289	169.62	237.518
Tonga Is	(Pa Anga)	2.1120	1.4515	0.8911	1.2478
Trinidad/Tobago	($)	6.1880	4.25	2.6109	3.6561
Tunisia	(Dinar)	1.4593	1.0029	0.6157	0.8622
Turkey	(Lira)	13037.59	8960.54	5501.09	7703.16
Turks & Caicos	(US $)	1.4550	1	0.6139	0.8596
Tuvalu	(Australian $)	2.1120	1.4515	0.8911	1.2478
Uganda	(New Shilling)	1772.48	1218.2	747.882	1047.26
U A E	(Dirham)	5.3390	3.6694	2.2527	3.1545
United Kingdom	(£)	1.00	0.6872	0.4219	0.5908
United States	(US $)	1.4550	1	0.6139	0.8596
Uruguay	(Peso)	5243.06	3603.48	2212.26	3097.82
Vanuatu	(Vatu)	173.63	119.333	73.2616	102.588
Vatican	(Lira)	2291.75	1575.09	966.983	1354.06
Venezuela	(Bolivar)	120.12	82.5567	50.6835	70.9719
Vietnam	(Dong)	15302.56	10517.2	6456.78	9041.39
Virgin Is-British	(US $)	1.4550	1	0.6139	0.8596
Virgin Is-US	(US $)	1.4550	1	0.6139	0.8596
Western Samoa	(Tala)	3.7237	2.5592	1.5711	2.2001
Yemen (Rep of)	(Rial)	24.0075	16.5	10.1297	14.1846
Yemen (Rep of)	(Dinar)	0.6770	0.4652	0.2856	0.4
Yugoslavia	(New Dinar)	1092.00	750.515	460.759	645.199
Zaire Rep	(Zaire)	3749807.0	2577187	1582197	2215543
Zambia	(Kwacha)	604.24	415.285	254.954	357.01
Zimbabwe	($)	9.3184	6.4043	3.9318	5.5057

Special Drawing Rights February 19, 1993 United Kingdom £0.952050 United States $1.37714 Germany D Mark 2.25314 Japan Yen163.880
European Currency Unit Rates February 22, 1993 United Kingdom £0.817864 United States $1.19057 Germany D Mark 1.93741 Japan Yen138.963

Abbreviations. (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate; ‡ CIS applies to states in the Rouble Zone.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5
Monday February 22, 1993

INTERNATIONAL CAPITAL MARKETS

Spanish prices tumble as investor confidence wanes

By Tracy Corrigan in London and Karen Zagor in New York

SPANISH government bond prices fell sharply yesterday, as the peseta's slide undermined confidence among international investors.

Although the bond market opened quite strongly, prices dropped when the Spanish central bank failed to intervene to support the currency at Pta72 against the D-Mark. However,

GOVERNMENT BONDS

most analysts still expect the Spanish government to stay within the exchange rate mechanism, despite pressing economic problems, particularly unemployment.

There was some speculation yesterday that the authorities might try to cut rates and allow the peseta to drift to the bottom of its band. But such a move could prompt greatar pressure oo the currency.

■ THE Italian bood market also performed poorly yesterday, shedding ¼ point, as fears over the political situation persisted. Dealers were concerned that the cabinet shuffle over the weekend bad not addressed some of the deeper problems.

Expectations of a vote of coofidence io the next few weeks are expected to cootinue to depress prices.

■ THE bund market agaio beoefited from a flight to quality, continuing its rally, although further interest rate cuts have already been discounted.

Bund cootracts on both the London International Financial Futures & Options Exchange and the Deutsche Terminbörse broke through resistance levels. But dealers said the latest improvement was sparked more by switching than by outright buying.

■ INVESTORS in Spanish and Italiao bonds were seen switching into Dutch, French and Danish paper, as well as buods, partly based oo expectatioos of ioterest rate cuts in those markets.

The Danish bond market was the strongest performer of the day, gaining a full point. Dutch boods also closed sharply higher, supported by strong domestic buying. The 10-year bood broke through a resistance level at 6¾ per cent as the market's rally persisted.

■ UK gilt prices ended virtually unchanged in lackluster trading yesterday. Slightly stronger than expected GDP data failed to impress traders, who were rather disappointed that last week's gilts tap totalling £1.2bo was still not fully sold.

■ US Treasury prices turned narrowly mixed yesterday morning as the market continued to digest President Bill Clinton's deficit reduction package.

The long-bood yield remains at its lowest levels since the issue was first sold to the public in 1977. By midday, the benchmark 30-year government bond was up ⅛ at 101⅜, yielding 6.992 per ceot. At the short end of the market, the two-year note was off 1/16 to yield 3.978 per cent.

Participants remaio enthusiastic about the president's willingness to tackle the vast fedaral deficit, along with measures which should slow the rate of economic growth in 1994. There was, however, some concero that spending cuts might not be sufficient to keep inflation in check.

The Federal Reserve entered the opeo market to arrange $2.5bo of customer repurchase agreements when Fed funds were trading at 3 per cent. The move was widely expected.

There was also some positioning yesterday ahead of today's $15.25bn two-year oote auction and tomorrow's $11bo five-year note auction.

FT FIXED INTEREST INDICES

	Feb 22	Feb 19	Feb 10	Feb 17	Feb 16	Year ago	High*	Low*
Govt Secs(UK)	96.57	96.32	96.13	96.00	95.95	88.78	96.57	85.11
Fixed Interest	112.25	112.08	111.83	111.75	111.69	101.17	112.25	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1992/93. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 112.25 (22/2/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Feb 18	Feb 18	Feb 17	Feb 10	Feb 15
Gilt Edged Bargains	137.4	140.6	138.6	149.0	143.2
5-Day average	141.8	145.9	145.1	145.7	148.1

* SE activity indices rebased 1976

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	111.5348	+0.058	8.24	8.48	8.77
BELGIUM		9.000	03/03	107.9000	-	7.54	7.54	7.54
CANADA *		7.250	06/03	98.0000	-	7.53	7.63	8.00
DENMARK		8.000	05/03	96.6100	+1.090	8.51	8.76	9.42
FRANCE	BTAN	8.500	03/97	102.5688	-0.037	7.72	7.91	7.92
	OAT	8.500	11/02	108.0600	+0.290	7.58	7.84	7.89
GERMANY		8.000	07/02	107.9000	+0.430	6.83	7.04	7.16
ITALY		12.000	05/02	98.3350	-0.235	13.081	13.02	13.28
JAPAN	No 119	4.800	06/99	104.7262	+0.317	3.87	4.03	4.21
	No 145	5.500	03/02	110.0566	+0.654	3.69	4.22	4.33
NETHERLANDS		8.250	06/02	110.3000	+0.440	6.72	6.82	7.17
SPAIN		10.300	06/02	93.2000	-0.000	11.60	11.46	11.82
UK GILTS		7.250	03/98	102-16	+5/32	6.66	6.71	7.15
		9.750	08/02	112-20	+8/32	7.85	7.92	8.33
		8.000	10/08	108-01	+9/32	8.30	8.39	8.78
US TREASURY *		6.250	02/03	100-20	+3/32	6.18	6.40	6.49
		7.125	02/23	101-03	-5/32	7.04	7.77	7.28
ECU (French Govt)		8.500	03/02	104.8250	+0.726	7.78	8.12	8.07

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Compliance is expensive for Japanese banks

Richard Waters and Emiko Terazono on the rising number of floating rate note issues

THE search by Japanese banks for regulatory capital that will push them comfortably ahead of minimum international levels is becoming increasingly expensive, as floating rate note issues by two leading banks yesterday demonstrated.

Tokai Bank and Sanwa Bank both launched issues of perpetual floating rate notes in the international bond markets, adding to a growing wave of such paper in recent months.

In what is believed to be the first yen issue by a Japanese city bank (or commercial bank) other than the Bank of Tokyo, Tokai raised Y40bn ($330m), while Sanwa raised $300m to add to a similar $300m issue of last week.

Access by Japanese banks to the yen bond markets has until now been restricted to a restricted list including the country's long-term credit banks, the Bank of Tokyo and Norinchukin Bank. It is a privilege which has long been expected to crumble as long-term credit banks such as the Industrial Bank of Japan have themselves extended into areas like securities.

Both of yesterday's note issues carry what are widely seen as high margins over market interest rates, reflecting the shrinking band of investors prepared to buy subordinated debt issued by Japanese banks. The notes were reported to have been sold mainly to domestic investors.

They also have a step-up interest rate structure, making them increasingly expensive to finance after the first five years. A call option after five years allows the issuers to redeem tham at that stage, making them effectively five-year bonds – although for regulatory reasons thay are treated as perpetuals, making them eligible as tier two capital under Bank for International Settlements rules.

Tokai's notes pay a yield 10 basis points below the Japanese long-term prime rate – at present 5.2 per cent, but widely rumoured to be about to fall to 4.9 per cent. After five years, the rate jumps to 10 basis points over long-term prime, and after 10 years to 60 basis points. The Sanwa paper carries a margin of 75 basis points over three-month Libor, jumping to 125 and then 175 basis points.

The search for tier two capital reflects a concern by the banks that Tokyo share prices may not hold at current levels. With the Nikkei stock index held up at around 17,000 by government support operations, most of the country's banks are likely to clear the 8 per cent minimum capital to risk assets ratio required by the BIS.

However the banks say they need greater certainty that their capital levels meet these rules, which come into effect formally at the end of March.

Both Tokai and Sanwa were comfortably above the 8 per cent level at the end of last September (8.7 per cent and 8.81 per cent respectively, according to Ibca, the specialist bank credit rating agency.)

Perpetual debt has a further advantage. Other forms of tier two debt do not count towards regulatory capital once they exceed the level of tier one capital (paid-up equity and retained earnings). This limitation does not apply to perpetual loans or securities.

Sanwa raised $800m through similar issues last year, and has raised $500m so far this year. At those levels, the bank says, it should have no difficulty in refinancing the notes after five years (or in the case of one issue, seven years) – although if the level of borrowing rises, the refinancing burden may be greater. Given their need for capital, however, this will not be the first consideration of the banks.

Toyota Motor's $1.5bn placing off to a smooth start

By Antonia Sharpe

THE placing of Toyota Motor Corporation's $1.5bo five-year offering proceeded smoothly yesterday, reflecting the car company's bigh credit rating and the scarcity of higbly-liquid corporate issues.

INTERNATIONAL BONDS

Meaowhile, syndicate managers expect the European Community to award a mandate today for a Euromark offering of betweeo DM2.5bo and DM3bo. An EC spokesman in Luxembourg had no comment.

Tbe market expected the deal to have a seven-year maturity and to be priced to yield between 7 and 10 basis points above the 7¼ per cent bund due January 2000, whicb closed at 104.33 yesterday to yield 6.43 per ceot.

This area of the yield curve is viewed as relatively attractive to issuers, but a syndicate manager close to tha transaction said that the maturity also suited the EC's funding needs.

Turning back to the Toyota offering, officials at the joint lead underwriters, Nomura and Merrill Lynch, reported good demand for the boods, reaping the beoefit of sevaral days of pre-marketing the deal.

They therefore expect the bonds to be priced to yield the lower end of the indicated range of 38 to 40 basis points abova tha when-issued five-year US Treasuries, which were yielding 5.32 per cent late yesterday.

The boods are expected to be priced this afternoon. A substantial part of the proceeds of the deal, which is the largest ever corporate issue in the international bond market, is expected to be swapped into yen.

The indicated pricing of the bonds was viewed as attractive when compared with the recent dollar offering from the Kingdom of Denmark which was yialding 22 basis points over comparable US Treasuries.

However, syndicate managers also pointed out that the indicated yield on the oew boods was about 10 basis points below that on Toyota's outstanding boods due June 1997, which have lost some of their attraction to investors because they were now trading at a substantial premium to par.

The lioo's share, or 60 per cent, of the Toyota offering is expected to be placed in Europe, followad by Japao with 20 per ceot.

A further 10 par ceot is axpected to be placed alsewhere in Asia, 5 per ceot in the Middle East and 5 per cent in offshora US funds.

Elsewhere, the stream of Canadian dollar offerings continued, as Mobil Oil Canada raised C$125m in a five-year deal priced to yield 70 basis points above the 6¼ per cent Canadian government bonds due 1998 which were yielding 6.92 per cent late yesterday. The bonds kept to that spread wheo they ware freed to trade in the afternoon.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Toyota Motor Corp.(a)	1.5bn	(a)	(a)	Mar.1998	1.875/1.375	M.Lynch Int./ Nomura Int.
Sanwa Finance Aruba‡(b)	200	(b)	100	(b)	0.3/0.15	Sanwa International
Citi Investments#	50	8.870	100.8252	Mar.1994	0.5/0.25	Citicorp Investment Bank
Banco Frances#	40	10.25	99.0464	Mar.1998	T.5/1	Merrill Lynch Int.
YEN						
Tokai Finance(Curacao)‡#(c)	40bn	(c)	100	(c)	-	Nomura Int./ Tokai Int.
CANADIAN DOLLARS						
Mobil Oil Canada	125	7.625	101.005	Sep.1998	1.875/1.575	ScotiaMcLeod
GECC	100	7.125	100.9175	Mar.1996	1.375/1.25	Morgan Stanley Int.
AUSTRALIAN DOLLARS						
Soc.Gén.Australie(d)	25	8.25	102.8	Mar.1997	1.75/1.125	Hambros Bank
GUILDERS						
NIO(e)	200	6.70	100.55	Mar.2003	1/0.625	Rabobank Nederland

Final terms and non-callable unless stated. ★Private placement. ‡Floating rate note. #Semi-annual coupon. a) Priced today to yield at the re-offer price 38-40bp over the "when issued" 5 year US Treasury. b) Coupon pays 3-month Libor + 0.75% for the first 5 years, + 1.25% for years 6-10 and + 1.75% thereafter. Callable at par on any coupon payment date after 5 years. c) Coupon pays the Japanese long-term prime rate - 0.1% for the first 5 years, + 0.1% for years 6-10 and + 0.6% thereafter. Callable at par on Mar.1998 coupon payment date on any payment date from Mar.2003. d) Issue launched on 15/1/93 was increased to A$125m. e) Borrowers full name: Nederlandse Investeringsbank voor Ontwikkelingslanden.

An official at the lead manager, ScotiaMcLeod, said that the yield spread on the bonds was wider than that on recent issues but reported good demand for the boods from continental Europe, especially Switzerland.

General Electric Capital Corporation of the US also tapped the Canadian dollar market with a three-year C$100m offering priced at 99.73 to yield 7.22 per cent.

When the bonds were freed to trade in the late afternoon, they traded close to their launch level.

● Aga, the Swedish industrial gas group, has announced a DM500m commercial paper programme for general financing and the financing of its German activities, writes Christopher Brown-Humes in Stockholm.

The CP programme has been arranged by Dresdner Bank which will also act as a dealer alongside Deutsche Bank and Citibank.

Aga already has a $500m CP programme on the Euro market, a FFr1bn programme on the French market and a $100m programme on the UK market.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on February 22

U.S. DOLLAR STRAIGHTS / OTHER STRAIGHTS / DEUTSCHE MARK STRAIGHTS / FLOATING RATE NOTES / SWISS FRANC STRAIGHTS / YEN STRAIGHTS / CONVERTIBLE BONDS

[illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	60	4	13
Other Fixed Interest	4	1	10
Commercial, Industrial	306	217	893
Financial & Property	143	101	551
Oil & Gas	19	18	47
Plantations	0	1	7
Mines	27	18	94
Others	53	35	30
Totals	612	395	1,645

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. u Earnings based on preliminary figures. n Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1992. 0 Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. ‡ Introduction. § Placing price. ¶ Reintroduction. ‡ Unlisted securities market. ‡ Issued in connection with reorganisation, merger or takeover. ‡‡ Price at a premium. ψ Units comprising 1 ord. and 1 zero pref. share.

TRADITIONAL OPTIONS

● First Dealings Feb. 22
● Last Dealings March 5
● Last Declarations June 3
● For settlement June 14

3-month call rate indications are shown in Saturday editions.

Calls in **Acorn Computer, ASDA, Avesco, Babcock, Bimec, Barcom, Costain, Enterprise Computer, Ferranti, Henson warrants, Hartstone, Lloyds Thompson, Medeva, Microvitec, Nurdin & Peacock** and **Tottenham Hotspur.** Puts in **Barcom, Euro Disney** and **Medeva.** Doubles in **ASDA, Channel Hldgs., Cupid, Enterprise Computer** and **Microvitec.**

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

[illegible]

February 22 Total Contracts 20,701
Calls 14,148 Puts 6,633
FT-SE Index Calls 4,827 Puts 2,090
Euro FT-SE Calls 111 Puts 162
*Underlying security price. ‡ Long dated expiry mths.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Mon Feb 22	Day's change %	Fri Feb 19	Accrued Interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	129.55	+0.12	129.40	1.76	1.72
2	5-15 years (22)	148.48	+0.14	148.52	1.41	2.85
3	Over 15 years (8)	156.77	+0.10	156.61	1.35	1.80
4	Irredeemables (6)	179.09	+0.28	178.59	3.37	0.00
5	All stocks (60)	144.77	+0.13	144.70	1.56	2.27
	Index-Linked					
6	Up to 5 years (2)	183.34	------	183.33	0.05	1.51
7	Over 5 years (12)	171.01	+0.23	170.61	0.65	0.87
8	All stocks (14)	171.51	+0.20	171.16	0.58	0.96
9	Debs & Loans (66)	127.29	+0.19	127.04	1.97	1.86

AVERAGE GROSS REDEMPTION YIELDS

			Mon Feb 22	Fri Feb 19	Year ago (approx.)
	British Government				
1	Low	5 years	6.62	6.33	8.59
2	Coupons	15 years	7.82	7.82	9.16
3	(0%-7¾%)	20 years	8.11	0.15	9.16
4	Medium	5 years	6.88	6.92	9.41
5	Coupons	15 years	8.31	8.32	9.24
6	(8%-10¾%)	20 years	8.48	8.49	9.20
7	High	5 years	7.05	7.10	9.64
8	Coupons	15 years	8.57	8.59	9.34
9	(11%-)	20 years	8.65	8.67	9.27
10	Irredeemables (Flat Yield)		8.55	8.57	9.36
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.01	2.01	3.65
12	Inflation rate 5%	Over 5 yrs.	3.50	3.52	4.31
13	Inflation rate 10%	Up to 5 yrs.	1.13	1.13	2.97
14	Inflation rate 10%	Over 5 yrs.	3.31	3.33	4.12
15	Debs &	5 years	0.61	0.62	10.86
16	Loans	15 years	9.41	9.42	10.63
17		25 years	9.63	9.65	10.46

Airtours bid on hold awaiting probe move

By Richard Gourlay

AIRTOURS AND Owners Abroad, the rival travel group it is bidding for, continued to trade shots as the Takeover Panel put the timetable of the £225m bid on ics pending a decision on whether it should be referred to the Monopolies and Mergers Commission.

Owners Abroad accused Airtours of continuing to deny its shareholders the information they will need to make s decision on whether to accept the paper offer that is accompanied by only a partial cash alternative.

An Airtours adviser said that Owners Abroad's annual report, published last week, was the first financial information that Airtours had received.

"It has some pot holes, not to say black holes," which needed to be taken into account when, and if, Airtours was considering whether to raise its offer, he said.

Mr David Crossland, Airtours chairman, called for the protagonists to get back to the "real issues" of "track record and what is good for shareholders" once the trade and industry secretary has decided whether to refer the bid.

Answering questions posed by Owners Abroad last week, Airtours said that baving a financial year-end of September 30, rather than at the end of October, after the end of the holiday season, had no material effect on its profits.

Deferring the cost of "empty legs" to the next year in this way has the effect of increasing profits by less than 2 per cent of profits, Airtours said.

Tha bidder also said that while the figures were not directly comparable, Airtours provided more than double the amount for maintenance costs for its aircraft by comparison with the amount Owners Abroad provided for its 17 aircraft.

Airtours repeated that it believed Owners Ahroad did not have in place adequate forward foreign exchange cover.

While Owners Abroad had £173m, or an amount equal to about 22 per cent of sales, Airtours had £195m or about 48 per cent of sales, according to Mr Harry Coe, Airtours finance director.

Mr Michael Heseltine, the trade secretary, is expected to announce whether he is referring the bid within the next few days.

Welsh Water pays £56m for engineer

By Angus Foster

WELSH WATER yesterday became the sixth water company to make a significant acquisition this year when it paid np to £56.1m fnr Acer Gronp, the consultant engineer.

Welsh has been rethinking its diversification policy since it sold a controversial 14.9 per cent stake in South Wales Electricity last December. Analysts said the decision to concentrate on engineering made sense and gave Welsh a meaningful non-core business.

Mr John Elfred Jones, chairman, said tba acqnisition would allow Welsh to grow its non-core profits. "We see ourselves as an infrastructure services company, so Acer is exactly the step we were looking for," he said.

However, the deal was attacked by Mr Rhodri Morgan, MP for Cardiff West and Labonr spokesman on the water industry. He said Walsb's previous diversifications, which include a loss-making hotel arm, had been "disastrous".

Acer was formed in 1987 through the merger of Freeman Fox, which had a reputation as a bridge designer, and John Taylor and Sons, which had expertise in water-related projects.

In the year to April 30, the company made pre-tax profits of £4.4m on turnover of £85.5m. Abont 60 per cent of profits come from Europe, with the rest spread throughout the world. European sales are split between the transport and water sectors.

Mr Graham Hawker, Welsh's gronp managing director, said the companies had been in discussions since last July. Acer's shareholders decided to sell because some partners had retired and ICF of the US, which owned 30 per cent, no longer wanted to acquire the company. "Those still in the business realised their balance sheet could no longer support growth," he said.

Welsh is paying £21m in cash and assuming Acer's £27m of debt. A total of 36 senior managers have signed two year service contracts which include incentive payments if Acer's profits in the 35 months to April 1995 exceed £19.4m. The maximum payable under the scheme is £8.1m.

Welsh will fund the purchase through cash beld outside the core business. Welsb raised £75m though a bond issue in 1991 and made a £17m profit on the disposal of the electricity stake. The proforma exit p/e ratio is 7.8. Acer had net assets at the year end of £8.8m and goodwill of £5m.

Acer has a small joint venture with Severn Trent.

Bitter dispute comes to a head

Licensees claim new leases are onerous. **Philip Rawstorne** reports

"IT WAS my dream to have my own pnb. Now it's turned into a living nightmare," said Mrs June Varty, licensee at the Gardeners Arms, at Droylsden, near Manchester.

Today, Mrs Varty will join other licensees of pubs owned by Inntrepreneur Estates, the Grand Metropolitan/Courage joint venture, in picketing GrandMet's annual meeting in London. They are protesting against "excessive rents and onarous leases" which, they claim, are forcing hundreds of Inntrepreneur landlords towards bankruptcy.

GrandMet insisted yesterday that less than 100 leaseholders were involved in the protests. Long-term leases had been agreed with 4,700 of IEL's 6,850 pub licensees. Since IEL was established nearly two years ago, between 7 per cent and 8 per cent of licensees have gone out of business compared with 15 to 20 per cent a year under the old tenancy system.

"The leases, and the rental, which takes into account turnover, the pnb location and other factors such as the likely cost of repairs, are freely negotiated," the company said.

But Mrs Varty added that a show of hands at a meeting of 110 Inntrepreneur leaseholders in north-west England earlier this month showed that many of them had been visited by bailiffs.

"I have had three visits," said Mrs Varty, 53, "but I am not going without a fight."

"Inntrepreneur want £1,500 a week from me in rent and arrears but my weekly takings are only £1,000."

Mrs Trisha Boyce, who runs the Britannia Inn, at Alcombe in Somerset, founded the National Association of Inntrepreneur Lessees (Nail) five months ago to contest, including through court action, the terms of the company's leases.

She said ths lessees would ask the courts, and if necessary the European Court, to declare the leases nnll and void.

Mrs Boyce acquired her lease for £52,000 in 1991. Her annual rent is £18,500 – four years earlier when the pub was owned by Usbers, the rent was £4,250 a year," sha said.

Charges, such as insurance, and the cost of repairs to the 300-year-old pub, added to the burden. "Trade is hit by recession and growth will always be limited. This is a village pub without a car park."

On legal advice, she told GrandMet last year that she did not want to be freed from tied beer supplies. "If I wasn't freed, they could not increase my rent."

Mr Martin Moore, licensee of The Bridge, at Uckfield, East Sussex, signed the 20-year lease for his pub in 1991. The rent was £18,000 a year. "I knew that would be tough to find in a recession," he said. "But I spent my £35,000 savings in refurbishing . . . and I managed to keep my head just above water."

Last October, when the pub was freed, under the government's beer orders, from its beer supply tie with Courage, the rent was increased to £29,100 a year.

"Courage offered me discounts of £3,000 a year to continue supplying my beer – but there is no way now that the business can be viable, and the lease is unsaleable."

He added: "At the start of these leases two to three years ago, the annual rent would be 5 to 7 per cent of the freehold value. Today, it is 18 to 25 per cent." His only recourse to the rent increases, he said, was "to attempt to assign an unsaleable lease or slide inexorably into bankruptcy".

"To afford this lease, I would need to make the pub perform better than it ever did in the boom years, let alone during the deepest recession the trade has ever encountered. In the present economic climate, the sensible action would be to reduce the rent to a level the business can afford."

GrandMet said yesterday "the leases are popular" and the rents were freely negotiated with the licensees having recourse to arbitration.

"Every single rental agreement made by Inntrepreneur has been agreed through negotiation by both parties. The only exceptions have been in cases where leases have been assigned by the original leaseholder." The company added that sitting tenants had "a pretty good idea" of a pub's performance. New entrants could take independent advice about trading prospects.

Board shake-up at Harmony

By Tim Burt

HARMONY LEISURE, tbe loss-making pubs and restaurants group, yesterday announced sweeping board changes and proposals for a rights issue following an evaluation of its poor trading performance by Guinness Mahon, the merchant bank.

Mr Bob Dawson, chairman, and Mr John Lever, a director, have resigned from the board. Mr Stanley Lever is to relinquish his position as managing director, altbougb be will remain in a oon-executive capacity.

Mr John Main, a director at Southend Property Holdings, was named yesterday as chairman and chief executive. He has been joined on the board by Mr Martin Marcus, joint managing director of Queens Moat Houses.

Southeod Property and Queens Moat together control almost 20 per cent of Harmony's share capital.

Mr Marcus said the new board was preparing a rights issue in a bid to restore Harmony's capital base which has been depleted by accumulated losses of £6.9m over the past three years.

"The management of Harmooy was unsatisfactory and tbe company needs extra equity by way of assets and cash," he said yesterday.

The proposed rights issue, which has yet to be approved by shareholders, is likely to involve issuing new ordinary shares of 5p; it was not clear last night what the ratio would be for existing shares.

Mr John Main said the full terms would be announced shortly. Such a rigbts issue would help Harmony build a new vehicle for asset investment, be added.

"The whole company is very tired and needs to be rejuvenated," he said.

The appointment of Mr Main follows mounting concern at the group's performance, which escalated last year after Harmony announced interim pre-tax losses of £344,000 in the six months to September 27.

Yesterday the company also announced a profits warning for the six months to the end of March this year and said there would be a "significant pre-tax loss" for the full year.

The Harmony board has been under increasing pressure since rebel shareholders launched a campaign for the appointment of new non-executive directors last October.

Baldwin shows advance of 8% to £2.47m

By Catherine Milton

PRE-TAX PROFITS at Baldwin, the holidays, printing and properties group, rose 8.2 per cent from £2.28m to £2.47m in the year to end-October 1992.

The group also took a £1.1m extraordinary provision against Baldwin's legal battle over the value of a 6 per cent stake in London Clubs International.

The company is suing other shareholders in London Clubs, who acquired Baldwin's 6 per cent investment, for substantial damages. They acquired the stake for £54,000 after the Gaming Board objected to the renewal of the casino company's gaming licence in 1991. In 1989 Baldwin paid some £900,000 for the holding.

Any damages awarded would be recorded as an exceptional gain and included in pre-tax profits once the new accounting standard on exceptional and extraordinary items comes into force.

When the 1993 results are reported, Baldwin will be obliged to restate its 1992 figures consistent with the new standard, including the provision in pre-tax profits.

Group turnover increased 8 per cent to £29m (£27m), and operating profits rose by a quarter from £1.8m to £2.3m. Bnt net interest receivable dropped from £449,000 to £180,000.

Tour operating activities increased profits by 50 per cent, from £1.49m to £2.23m. Profits from print fell from £271,000 to £123,000 and property profits fell from £218,000 to £76,000.

Earnings per share rose 18 per cent to 9.8p (8.3p), and a dividend of 3p is proposed, an increase of 0.2p on the total for 1991 of 2.8p. No interim dividend was paid because of the "unclear" position surrounding the investment in London Clubs.

Senior turns down Wheway rescue role

By Roland Rudd

MCLEOD RUSSEL Holdings, the paints producer and distributor which is offering £13.3m for Wheway, yesterday increased its stake in the struggling engineering group to 7 per cent.

McLeod purchased 4 per cent of Wheway at just under 10p a share. It came as Wheway learnt that it had lost the potential support of Senior Engineering Group, the tubing, boilers and ductwork group.

The two groups had held talks as part of Wheway's strategy of trying to find another third party interested in a merger. However, after looking at Wheway's businesses, Senior has decided against making an offer.

Mr Hugh Ashton, Wheway's chairman, said he would continue to talk to other companies to see if he could get a better deal for shareholders.

McLeod and Wheway were also recently in talks about a possible merger. However, McLeod decided to go hostile after failing to reach agreement on price.

Mr Nigel Openshaw, McLeod's chairman, said: "The fact that we were able to pick up shares so easily shows that Wheway's shareholders are voting with their feet. It is time Wheway's board recommended this offer."

Wheway shareholders are being offered one McLeod share for every 10.

Peugeot tumbles to £10.2m

By Kevin Done, Motor Industry Correspondent

PEUGEOT TALBOT, the UK subsidiary of PSA Peugeot Citroën, the French car maker, suffered an 80 per cent fall in pre-tax profits last year to £10.2m.

The fall from £50.8m in 1991 came despite turnover increased to £1.53bn (£1.44bn).

Mr Geoffrey Whalen, managing director, warned yesterday that trading conditions would remain difficult and margins would continue to be "depressed" in 1993.

Peugeot Talbot's pre-tax profits have dropped steeply during the prolonged UK recession from £135m in 1989 and £109m in 1990.

After-tax profits fell last year by 82 per cent to £6.8m, from £36.3m in 1991.

The company is being forced to halt production for three days this week from Wednesday to Friday at its Ryton, Coventry assembly plant in the face of weak sales in particular in export markets. Abont 3,500 hourly paid production workers will be laid off with the loss of 5 shifts.

The announcement of the sharp deterioration in the company's profitability was accelerated in the face of the continuing threat of industrial action at the Ryton plant.

The workforce is due to ballot again on Monday about a two-year pay deal, after abandoning a previous strike threat last Friday.

Peugeot Talbot car exports from the UK dropped last year by 13.6 per cent, from 61,384 to 53,019, reflecting lower demand in some continental European markets, said Mr Whalen.

In the UK, the Peugeot marque increased its market share to 7.8 per cent (7.3 per cent) helped by a 7.3 per cent jump in sales volume to 124,019 (115,557).

Mr Whalen said that profit margins had been squeezed by difficult market conditions both in the UK and in continental Europe, by the impact of the devaluation of the pound, and by increasing demands to meet tougher environmental requirements and higher vehicle safety and security standards.

Car output at the Ryton assembly plant fell by 2.5 per cent last year to 85,728, against 87,965 in 1991. The company started production last month of a second car range at Ryton, the Peugeot 306, which will be launched in the UK in April.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Amicable Smaller ....fin	1.7	Apr 2	-	3.4	-
Ashtead ....int	1.133	Apr 6	1.1	-	4.125
Baldwin ....fin	3†	Apr 1	1.4	3	2.8
Capita ....fin	4.2†	May 11	3.6	6.3	5.4
Essex Furniture§....int	1.5†	April	1.25	-	2.75
FII ....int	6	May 7	5.5	-	14
F&C Enterprise ....fin	0.44	April 7	0.4	0.44	0.4‡
Gartmore Emerg ....fin	0.15	Apr 26	0.13	0.15	0.13‡‡
Low & Bonar ....fin	6.4	May 11	6.4	9.1	9.1

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Excludes special 0.2p. ‡‡Excludes special 0.1p.

Andersen Consulting UK fee income rises by 25%

By Andrew Jack

ANDERSEN Consulting yesterday reported fee income up 25 per cent to £215m in the year to December 31 1992.

Revenues worldwide rose to £1.7bn in the same period.

In common with other accountancy firms and consultants, Andersen refused to provide details of its profits.

Mr Keith Burgess, UK managing partner, said: "The industry average [of profits] is 10-12 per cent. We are at the high end, but margins are under pressure."

He said that about four fifths of revenues came from professional billings.

Most of the remainder – with slightly lower margins – came from outsourcing, by which the firm takes over the direct running of clients' computer systems.

Aside from outsourcing, the firm said other fast-growing divisions were financial services and utilities.

He admitted that the revenues included any hardware or other goods and services bought-in on behalf of clients be said this only amounted to about 4 per cent of revenues.

"We think we're doing remarkably well in difficult circumstances," said Mr Burgess.

Andersen's professional staff rose from 1,790 in 1991 to 2,125 last year.

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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Pool purchase price £/MWh (Provisional Price for Trading on 21.02.93)	Pool purchase price £/MWh (Final Prices for Trading on 20.01.93)	Pool selling price £/MWh (Final Prices for Trading on 20.01.93)
0030	19.34	18.61	18.61
0100	22.11	22.00	23.13
0130	22.08	26.33	26.48
0200	22.11	25.23	26.44
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

Low & Bonar hit by restructuring costs

By Angus Foster

LOW & BONAR, the Dundee-based packaging and plastics company, yesterday announced a sharp fall in profits mainly because of £14.1m of exceptional restructuring costs.

Pre-tax profits fell from £21.6m to £8.1m in the year to November 30. The prior year figure was adjusted down from £24.3m to comply with FRS 3. At the interim stage, profits rose 4.9 per cent to £11.8m.

Mr Jim Leng, who became chief executive last year, said European profits improved, especially in the UK. Restructuring costs, which covered the closure of its UK non-wovens business and the reorganisation of North American operations, would lead to further margin improvements this year, he said.

Turnover waa almost unchanged at £607.4m (£307.7m), helped hy £10.1m of sales from acquisitions. Operating profits increased 0.4 per cent to £25.3m, but profits on continuing operations fell slightly, mainly due to falling profits in Canada and heavier losses in tha US.

The £11.1m acquisition of Royal Tufton, the floor coverings company, and other purchases increased net borrowings to £36.5m (£13.2m). Interest costs increased more than £1m to £3.46m. Higher horrowings, and a slight fall in shareholders' funds, lifted gearing from 10 per cent to 30 per cent.

Earnings fell to 3.35p (17.04p) per ahare. The company said that earninga hefore exceptional items would have totalled 17.4p.

A proposed final dividend of 6.4p makes an unchanged total of 9.1p.

● COMMENT

These results – and the exceptional charges – were well flagged and the shares gained 5p to 303p yesterday, mainly on optimism about the UK and US. After attacking the US losses and replacing management, the division ehould finally recover this year, while Canada is already benefiting from a stronger US dollar exchange rata. And, after weathering recession, UK packaging and specialist materials should do well with recovery. The worry is the Continent, which provided 36 per cent of operating profits, and whare only Germany has ao far shown signs of downturn. If the rest of the Continent follows, Low & Bonar's long awaited "annus mirabilis" – when nothing goes wrong – msy take 12 months longer. Profit forecasts are for £26m, putting the shares on 15 times. After outperforming their sector in the first six months of last year, the shares have now come back in line. Without further news on Europe, they are likely to stay there.

Interest fall helps Ashtead rise 7%

By Peter Pearse

IN WHAT Mr Peter Lewis, chairman of Ashtead Group, described as a period of "relentless recession", the equipment rental company raised pre-tax profits from £1.5m to £1.61m in the six months to October 31.

The 7 per cent profits rise was struck on turnover up £860,000 at £16.8m. Operating profits slipped to £2.03m (£2.15m) but interest charges fell to £423,000 (£644,000) on lower rates. Some two thirds of the group's profits accrue in the first half.

Mr Lewis said that the oversupply in the non-operated plant hire market which has pertained since 1990 was showing signs of declining as competitors withdrew from the market. This would benefit the group, he said. He was plessed with the continued strength of the balance sheet and the neutrality of the group's cash flow during the period, in spite of a £2m increase in capital expenditure to £5.3m. The group hought only new equipment, whereas competitors had either bought second hand or hardly at all. Ashtead also increased its payroll numbers.

With the group's level of operational gearing, a 10 per cent rise in its UK prices would double its profits, though a rise of that size should not be assumed, he added.

In spite of the survey and inspection side making operating profits of £489,000 (£452,000) on turnover of £2.37m (£2.03m) and the US plant hire side making £74,000 (£164,000) on turnover of £1.1m (£980,000), the management was concentrating on the UK plant hire market. The group now relies for less than half of its turnover on the construction and civil engineering industries, with local authorities, public and private utilities and specialist companies making up the balance.

Earnings grew to 5.2p (4.6p) per share and the interim dividend is lifted 3 per cent to 1.139p.

Eurotherm accounts inconsistency

By Andrew Jack

EUROTHERM, the control equipment group, has admitted to an inconsistency between its 1990 and 1991 accounts following discussions with the Financial Reporting Review Panel, the UK accounting watchdog.

In a note to its latest accounts circulated yesterday, the company has restated restructuring provisions which it treated as extraordinary charges in 1990 but partly wrote-back as exceptional profits in 1991.

The 1991 accounts were not qualified by Arthur Andersen, the company's auditor.

The restated figures treat the provision as an exceptional item, which has the effect of reducing 1990 earnings per share from 19.6p to 12.3p. It makes no difference to the 1991 and 1992 results.

In an announcement yesterday coinciding with publication of the accounts, the Review Panel said it welcomed the company's restatement and considered that its examination of the accounts was now concluded.

Mr Sydney Treadgold, secretary to the Review Panel, said: "We feel that honour has been satisfied. The previous treatment was not right in terms of correctness and consistency."

But Mr Robert Biddle, Eurotherm's finance director, called the Review Panel "a kangaroo court" which had made the assumption that the company was "guilty until proven innocent." He said: "I'm just amazed. I would have thought the panel had bigger fish to fry."

He said that restating items in prior years was "comparing applea with orangee" and argued that the company had tried to comply as quickly as possible with the new accounting standards.

He said the differing treatment was the result of the company adopting by the 1991 accounts the second pronouncement from the urgent issues task force of the Accounting Standards Board, which requires fundamental restructurings to be treated as exceptional items.

Mr Treadgold said: "The panel makes every effort to explain its procedures and gives companies every opportunity to explain its accounting treatment. It is anxious to come to a voluntary agreement whenever possible."

Eurotherm made a £2.3m extraordinary charge for a fundamental restructuring of its manufacturing activities in the year to October 31 1990, which had no effect on pre-tax profits.

In the following year, however, it wrote back an exceptional gain £513,000 for which it had over-provided in 1990, which increased pre-tax profits by 8 per cent to £7.2m.

Contracting out behind Capita's advance to £4.41m

By Richard Gourlay

Rod Aldridge: looking to outsourcing for growth

CAPITA GROUP, a provider of services to the public sector, yesterday reported a greater than expected increase in profits and earnings per share as it continued to enjoy the fruits of government contracting out.

Pre-tax profits rose from £3.45m to £4.41m on sales up 34 per cent at £33.1m (£24.7m).

Earnings per share rose 23 per cent to 19.2p (15.7p) and, as forecast at the interim stage, the total dividend is raised 17 per cent to 6.3p with a proposed final of 4.2p.

A 2-for-1 scrip issue is also proposed.

"We are currently looking at a significant volume of new business opportunities," said Mr Rod Aldridge, chairman and chief executive.

Most of the growth came from the outsourcing division, launched in 1989, where sales expanded 59 per cent to £17.8m, although pre-tax profits rose only 26 per cent to £2.45m.

Sales in the advisory business, the original Capita activity, grew by 13 per cent but profits were up 31 per cent at £1.95m.

Mr Aldridge said that the most significant growth would come from the outsourcing of contracts from the 540 local authorities, less than 10 per cent of which were currently contracting out.

At the end of the year, Capita had cash balances of £9.6m and no net borrowings, which, Mr Aldridge said, was a benefit when marketing to local authorities.

The group had invested heavily during the year on the computer services division which resulted in the group spending £500,000 more than budgeted on sales and marketing.

This had helped win additional contracts, the cost of which had been taken during the year but the benefit from which had hardly contributed to 1992 profits.

● COMMENT

With the government determined to farm out large amounts of white collar work to the private sector, Capita is successfully mining a seam that a few years ago was almost non-existent. Without too much hyperbole, the potential markets can be measured in many billions of pounds, leaving Capita with the enviable problem of choosing where to deploy its growing but still limited resources. What is more, Capita's ability to generate sales from new products, like the collection of local taxes, should not be under-estimated. That said, much of this promise is already in the price after a strong run. Forecasts for this year of pre-tax profits of about £5.5m, or earnings of 23.5p, anticipate contracts about to be announced and put the group on a prospective earnings multiple of 19. That is demanding but fair.

Amberley chairman to resign from board

By Nigel Clark

AMBERLEY GROUP, the USM-quoted building services company, is poised for expansion following the conditional sale of most of his holding by Mr Dennis Buckley, chairman, and his departure from the board.

Hemery Nominees is buying 865,400 shares (14.99 per cent) at 27p leaving Mr Buckley with a 2.98 per cent holding. The shares gained 3p to close at 23p.

Mr Brian Meddings, who was with BPB and Mr Robert Healey, who was with Hawley, are joining the board in an executive capacity. It is not yet known who will replace Mr Buckley as chairman.

Mr Philip Kanas, a non-executive director of Amberley, said it was proposed to double or triple in size through acquisitions paid for by paper. The areas for growth would probably be away from the present building preservation services but still within building services.

Amberley fell into £79,000 losses (£75,000 profits) on turnover of £1.62m (£1.59m) in the six months to September 30.

Coventry Bld Society ahead 16%

By John Gapper

COVENTRY Building Society disclosed a 16 per cent rise in pre-tax profits, from £21.3m to £24.7m, despite a rise in provisions for possible bad debts to £13.7m, against £9.9m.

Operating profit rose hy 23 per cent to £38.3m (£31.2m). Net interest income rose 18 per cent to £54.8m (£46.6m), halped hy a 14 per cent growth in total assets to £2.69bn (£2.37bn).

Mr Martin Ritchley, chief executive, said he was pleased with the society's performance in all areas of husiness against a background of recession and a depressed housing market.

Despite the increase in total assets, mortgage lending fell hy 6 per cent to £485.1m (£526m) – of this total, £160.5m was lent to first-time buyers.

The ratio of management costs to mean assets fell from 10.8 per cent to 1.04 per ceot, while the cost to incoma ratio fell from 43.2 to 40.7 per cent.

Management buy-out talks at Caithness Glass

MANAGERS of Caithness Glass, the Scottish ornamental glass maker, are negotiating to buy the company from Dramhule, tha liqueur company which acquired it in early 1991.

That Dramhuie, owned hy the McKinnon family which founded it, is prepared to shed Caithness is a reversal of its previous, widely publicised strategy of diversifying away from dependence on the after-dinner liqueur.

The Caithness acquisition was said at the time to be the first in a series of purchases of Scottish companies making quality products. But no further acquisitions ware made and Mr Peter Shakeshaft, the finance and development director who spearheaded the new policy, left in February 1992.

Yesterday Mr Alastair Mair, managing director of Caithness Glass, confirmed that an MBO was being negotiated. He did not say who would be backing it.

Caithness employs 250 people at factories in Perth, Oban and Wick. Last year it closed its plant at Kings Lynn, Norfolk. It has shed 120 jobs because of recession.

Success for recent rights issues

Three companies announced results of their recent rights issues, each having over a 90 per cent take-up.

● Asda announced that 94.26 per cent of the 668.9m new ordinary shares offered hy way of rights had been taken up.

● Burton said that acceptances had been received in respect of 151.6m shares, representing 90.37 per cent of the total numbar of new shares offered hy way of rights under the 1-for-4 issue.

● Wessex Water recelved acceptances for 16.1m new shares, representing 93.2 per cent of the total offered under the 1-for-6 rights issue.

NEWS DIGEST

FII rides recession with £3.5m

DESPITE "sustained recessionary pressure" on trading conditions and margins, FII Group, the footwear and scientific equipment company, lifted interim profits from £3.2m to £3.48m pre-tax.

Mr Monty Sumray, chairman, said the group's priority was to "stem margin erosion".

Measures could involve site changes and some redundancies, exceptional costs of which would occur in the second half. Lower interest rates "will exacerbate margin pressure and reduce investment income," he said.

The footwear division turned in unchanged profits hefore interest of £2.9m on turnover of £35.4m (£34.6m). The maintained result masked increased costs of imported materials and components and resistence to higher selling prices, Mr Sumray said.

The scientific and technical side returned a profit of £200,000 on turnover of £6m (£5.6m). Exports rose 43 per cent to £3m (£2.1m).

Earnings per share emerged at 15.8p (15.7p); the interim dividend is raised from 5.5p to 6p.

Essex Furniture advances 65%

Essex Furniture mounted a buoyant performance in its traditionally stronger first half to end-December.

On turnover ahead 61 per cent to £5.19m (£3.23m), pre-tax profits improved 65 per cent, from £375,000 to £619,000.

The company has opened two Furniture Workshop showrooms since July, and plans to open at least three more hy December.

The interim dividend is lifted to 1.5p (1.25p), payabla from earnings per share of 3.73p (2.46p) on capital increased by last June's rights issue.

Queens Moat ties up Holiday Inns deal

Queens Moat Houses and Holiday Inn Worldwide, a subsidiary of Bass, yesterday announced an expansion of their franchise agreement.

Under the agreement, Queens Moat will convert four of its UK hotels and four on the Continent into Holiday Inns.

Queens Moat has also restructured the franchise agreements covering its 19 existing Continental European Holiday Inns, extending them for a further 10 years.

See Lex

Morgan Crucible in Chinese joint venture

Morgan Crucible, the materials technology group, has signed an agreement with Shanghai Electrical Machinery for the formation of a joint venture company.

Shanghai Morgan Carbon will manufacture electrical and mechanical carbon products which have a wide range of applications and are vital components in electric locomotives, starter motors, industrial machinary used in paper and steel mills and mining equipment.

Morgan Crucible will contribute technology and equipment to the valne of $5.4m (£3.4m) whilst SEMC will contribute the existing carhon husiness of the Shanghai Electrical Carbon Factory.

Morgan Crucible will own 51 per cent of Shanghai Morgan Carbon and SEMC 49 per cent.

F&C Enterprise net assets advance 20%

Foreign & Colonial Enterprise Trust raised net assets per share by 20 per cent from 44.8p to 53.8p in 1992.

The trust said it had actively invested in the UK, where conditions remained strongly in favour of the cash huyer. It also benefited from a number of profitable disposals, the most important of which was the flotation of Olicom in the US.

Income from the portfolio remained strong and the proposed dividend is 0.44p – last year's payment was 0.4p and there was also a special 0.2p.

Total revenne was little changed at £2.67m (£2.71m), but the after-tax figure was lower at £426,000 (£905,000) giving earnings per ahare of 0.45p (0.96p).

Channel Holdings turns in £191,000

Channel Holdings, formerly Channel Tunnel Investments, reported a pre-tax profit of £191,000 for the six months to end-December.

The result included a maiden contribution from Carflow Products (UK) for the period from its acquisition in August.

Basic earnings per ehare were 1.3p. For the 12 months to December 1992 there was a profit of £172,000 and earnings of 2p.

Mr Philip Ling, chairman, said that since its acquisition Carflow had continued to perform satisfactorily.

The company continued to improve its market penetration in the UK and overseas; Mr Ling anticipated that Carflow's sales and profits would continue to increase during 1993.

He expected that a dividend would he recommended in respect of the 15 months to March 31 1993.

Aerospace Eng to build factory

Aerospace Engineering's subsidiary, Lahtech, the Wales-based manufacturer of microwave circuit boards, is to build a new 20,000 sq ft factory to service the telecommunications, avionics and space research markets.

When fully operational the factory will create up to 100 jobs.

Aerospace and Labtech are currently negotiating a financial package with the Development Board for Rural Wales to help fund the building and equipping of the proposed factory, which is expected to be completed by the end of 1993.

Amicable Smaller asset value at 96.2p

Amicable Smaller Enterprises Trust reported net asset value of 96.23p per share at December 31, against 95.52p when it came to the market in March last year.

Net revenue for the period was £798,000 for earnings per share of 3.83p.

A final dividend of 1.7p is proposed for a total of 3.4p.

COMMODITIES AND AGRICULTURE

Palladium and platinum prices suffer 'body blow'

By Kenneth Gooding, Mining Correspondent

JAPANESE SPECULATORS, whose buying recently sent the price of palladium soaring to its highest level for 32 months changed their minds yesterday and their panicky attempts to sell sent the metal's price plummeting.

Palladium, one of the platinum group metals and used mainly in consumer electrical goods and as a dental alloy, fell in London by $7.90 to close last night at $101.10 a troy ounce.

Speculators had driven the price from $85 to $119 an ounce on fears of production difficulties in Russia, which supplies about half the world's palladium. Yesterday's panic selling was triggered partly by carefully-timed statements from some big Japanese car companies last week.

They told the Reuter news agency that, because their production was falling, not only did they not need Russian platinum group metals, they might even sell some of their present surplus.

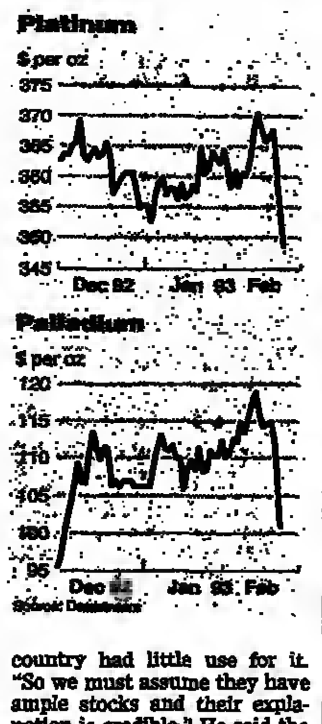
The car companies are more interested in platinum than palladium – only 12 per cent of palladium sales are used for anti-pollution car catalysts whereas 40 per cent of platinum is used this way – so the platinum price has also been falling fast – by $8.50 an ounce last week. Yesterday it closed in London at $346.50, down $10.75 from Friday's close.

The palladium price had been weakening on the Reuters' report but the trickle became a flood yesterday after the yen strengthened against the US dollar, the currency in which palladium is traded internationally.

"When the yen price started to fall because of the dollar's weakness, speculators tried to sell. But there is no physical demand for palladium so the price fell even faster," said one trader.

Mr Andy Smith, analyst at the Union Bank of Switzerland, pointed out that the Russians had consistently maintained that their exports recently were delayed by administrative tangles and bureaucracy. Palladium was a by-product of Russia's nickel production and the country had little use for it. "So we must assume they have ample stocks and their explanation is credible." He said the car companies' statements came as "a body blow to bullishness".

Mr Smith said the palladium price was still indicating that supplies were tight. There was a premium for metal for immediate delivery and the cost of leasing palladium was very high at 10 per cent. "There is a mysterious squeeze on the market," he said.



Cocoa pact compromise proposed

By Frances Williams in Geneva

THE FOURTH and final round of United Nations-sponsored talks on a new international cocoa agreement kicked off yesterday with a compromise proposal from the chairman, Mr Peter Lai of Malaysia, on the price range to be defended and the pact's financing. The 45 or so producing and consuming nations represented have until March 5 to agree on a successor to the 1986 accord, which expires at the end of September.

The compromise envisages a price range of SDR1,040-1,560 a tonne, with a median price of SDR1,300 ($1,780). At the end of negotiations last November, producers were demanding a price range of SDR1,160-1,770 while consumers offered SDR840-1,260. Cocoa is at present trading near historic lows in real terms of about SDR730 a tonne.

On the sensitive issue of financing, Mr Lai has suggested that producers and consumers share the cost of the proposed withholding scheme for stabilising cocoa prices, with contributions equivalent to $8 a tonne on imports or exports. However, governments would be free to decide how to finance their contribution.

Consumers have rejected producer calls for a trade levy, insisting instead that the new pact be financed in the first place by payment of the $137m owed by producers to the International Cocoa Organisation. Mr Lai's compromise would require producer countries in arrears to pay their own costs of storage and rotation for withheld stocks, enabling them to part-pay their debts in local currency and save on scarce foreign exchange.

A separate proposal came yesterday for a 350,000 tonne limit on the amount of cocoa that could be withheld from the market to bolster prices. Last November, producers were demanding 360,000 tonnes, consumers 330,000.

Russia to 'welcome' foreign oil cash

Local funding is insufficient to revive the sector, writes John Lloyd

"I WELCOME foreign investment," says Mr Vaguit Alekperov, appointed head of Rosneft, the Russian state oil company now being created to manage the industry. His direct endorsement of overseas investment will be good news for the increasingly sceptical and discouraged foreign oil majors who have found getting more than a toe-hold in the Russian oil sector arduous and time consuming.

Mr Alekperov, still head of Lukoil, one of the new vertically-integrated oil companies, sees the new state corporation as "a central agency permitting effective management of the industry" during the next three years, when the industry will be transformed into a series of joint stock companies the bulk of the shares in which will be held by the state, through Rosneft. The new corporation will replace Rosneftigaz, widely seen as an ineffective voluntary agency grouping the oil production associations, but constantly undermined by the energy ministry and other state bodies.

"We will be a managerial body responsible for the enterprises' performance. Our job is to create a series of vertically integrated companies, and we will be present on the boards of every one of them" – except for Lukoil, which will remain independent.

The new state boss knows the condition of the industry he is trying to revive – its production plunging; its easily recoverable reserves mostly exhausted; its technological capacity and funds insufficient to sustain the vast investment programme needed to revive its fortunes. Hence his welcome for foreign companies. He even – cautiously – says that Rosneft may act as a guarantor for their investments "at some time in the future" – a role the state itself now refuses to take.

He believes, however, "that we are past the worst point. The shock came in 1990 and 1991, when investments dropped sharply and when the debt to the enterprises rose to Rbs400bn (about £600m at the present free market exchange rate). But now people are learning to reorganise and live with the new conditions".

The legacy, however, has been a broken chain of production and supply, with producers unable to find refiners, refiners unable to obtain crude and garages closing for lack of supply. "The chain has to be re-established: there is a lack of responsibility now at all levels. Our aim is to create a structure which will be responsible for the final result – gasoline at the filling station."

The contest for exploitation rights in the autonomous district of Khanty-Mansinsk, in the Tyumen region of Western Siberia, – where deposits are estimated at some 7bn tonnes – provides an example of how Mr Alekperov expects Rosneft to operate. The State Geology Committee, with the Khanty-Mansinsk authorities, have opened the tender to foreign companies: Rosneft will not be involved at this stage, but may come in later as a bidder for exploitation rights. Local rule seems, for the moment, strong.

Western oil companies, which include most of the majors who have been to the region say that the first offer was for a 30 per cent stake in the field – an unattractive offer to most, especially when the basic petroleum law has yet to be adopted.

Asked if he feared the interference of the state – a fate which befell Rosneftigaz – he said that "the energy ministry is concerned with legislation and regulation of all the energy industry. We are the managers, there should be no confusion". A bold word from a Russian manager.

Russia-Ukraine gas row boils over

By John Lloyd in Moscow

THE RISING tension between Russia and Ukraine, by far the largest of the former Soviet states, has been further exacerbated by a bitter row over the payment for and supply of gas.

The Russian state gas corporation Gasprom has alleged lack of payment of Rbs165bn (as of Feb 18) for gas supplied since last year – a non-payment which, according to Mr Rem Vyakhirev, Gasprom's chairman, has left the company without sufficient funds to meet staff wages.

It has threatened to cut off supplies, which would be a serious not just for Ukraine but for the European countries – especially Germany – that are highly dependent on Soviet gas. Mr Vyakhirev, quoted by the Interfax news agency, said over the weekend that the gas exports to other countries would continue – though the gas pipeline through Ukraine is highly vulnerable and Ukraine has in the past taken the gas it has needed from it while it was in transit to third countries.

More than 90 per cent of gas exported outside the former Soviet borders passes through Ukraine.

The two sides have been talking about a new price for gas, but have been unable to agree. Russia has said it wants to switch immediately to world market levels (about $65 per 1,000 cu metres) but Ukraine has pleaded inability to pay. It has also retaliated by saying that it will charge world level transit fees for the gas crossing its territory.

The battle between the two former Soviet states is shaping up to be more serious than that which drove them apart last year – since both are now suffering from increasingly harsh economic climates and have little room to compromise.

Cuba sets out its stall to investors

By Ian Rutledge and Phil Wright

CUBA, RECOGNISING that competition between "frontier" oil regions for new investment is fierce, has staged presentations before 30 oil explorers and producers this month in Calgary and London offering 11 blocks – seven onshore, three offshore and one offshore/onshore.

Major oil companies present included Statoil, Shell, OMV (Austria) Elf, Total, Nippon Oil and Lasmo; middle-ranking companies such as Ranger Oil and Bow Valley (a British Gas subsidiary), and a large number of small entrepreneurial explorers such as Edinburgh-based Cairn Energy and Sweden's Taurus Petroleum. Three international US oil companies were represented by their UK affiliates.

Other companies said by Cuban officials to be "seriously interested" include Pan-Canadian Petroleum and New Zealand's Fletcher Challenge.

Total, Braspetro, Taurus Petroleum, and Canada Northwest Energy, have already obtained blocks during previous bilateral negotiations.

The presence of a representative from the DTI's offshore supplies division at the presentation indicates UK government recognition that Britain could eventually obtain some of this business.

The authors are partners in SERIS (Sheffield Energy and Resources Information Services).

Clinton's tax plan will sap energy of aluminium sector

By Laurie Morse in Chicago

PRESIDENT CLINTON'S proposed energy tax is bound to hit US aluminium producers, but the effect will be gradual and not severe enough to shut down capacity analysts say.

Mr Clinton's proposal for a broad-based energy tax immediately drew attention to the aluminium industry, which is North America's largest industrial user of electricity. A Prudential Securities analysis puts energy at 28 per cent of the average US aluminium production cost.

However, North America's aluminium producers are diversified both geographically and in terms of their energy sources, so the impact of the energy tax will vary from company to company. The president has proposed to tax energy on the basis of heat content, measured in British Thermal Units. The tax would be phased in gradually over three years.

Coal, the most widely used fuel in US aluminium smelters, would face the same levy as natural gas, at 25.7 cents per million BTUs, and crude oil would be taxed at a rate of 59.9 cents per million BTUs. Hydro-electric power, the energy source of choice in most western US smelters, would not be subject to the new tax.

The structure of the tax has left securities analysts puzzling over the proposal's effect on metals companies' earnings. Reynolds metals, for example, operates its smelters mainly on hydro power. Alcoa, the largest US aluminium producer, smelted 600,000 tonnes of last year's 1.3m tonne US production using coal. However, that coal was taken from Alcoa's own mines and used in its own power generators, an arrangement that is likely to avoid the tax. The balance of Alcoa's production was fired by hydro-power.

Amax, another large US producer, has a less diversified energy mix, and is expected to be hit harder.

Mr Vahid Fathi, metals analyst with Kemper Securities, said that while the energy tax on average could raise aluminium production costs by 2 per cent by 1996, US-produced aluminium would still be cheaper than its European counterparts.

"The spread will still be in favour of North America. Even with the energy tax, European costs are significantly higher," Mr Fathi said.

Canada and South America would continue to be the world's lowest-cost aluminium producers and the present state of global aluminium overcapacity would make it difficult for US producers to pass on the new energy costs.

While Mr Clinton's energy tax is included in a wide-ranging plan to cut the US deficit and stimulate economic growth, it is not certain that a rise in the US growth rate would boost aluminium demand. Aluminium prices are set internationally and world demand for the metal grew by less than 2 per cent last year. Recessions in Japan and in parts of Europe are expected to limit demand growth this year.

Mr J. Clarence Morrison, metals analyst at Prudential Securities, says the global supply-demand situation for aluminium is so dismal that the energy tax will have little or no impact on the worldwide industry, and only selective impact on individual aluminium producers.

Jamaica to sell sugar mills

By Canute James in Kingston

JAMAICA'S FIVE state-owned sugar mills are to be sold by the end of this year, putting the island's sugar industry totally under private ownership.

The five mills being sold have a rated capacity of 260,000 tonnes of raw sugar per year. The four privately-owned mills can produce 90,000 tonnes per year.

Thais to cut Middle East dependence

By Victor Mallet in Bangkok

THAILAND YESTERDAY outlined long-term plans to reduce its dependence on oil shipments from the Middle East, both by buying surplus energy from its neighbours and by building oil storage tanks and refineries in the south of the country.

Mr Savit Bhotiwihok, the minister responsible for energy policy, told a meeting of the Petroleum Institute of Thailand that the government would focus on developing domestic and regional energy supplies to meet electricity demand which is growing by an annual 10 to 15 per cent - or by roughly 1,000 megawatts a year.

He said he expected to sign a memorandum of understanding next month with the government of Laos on the purchase of between 1,000 Mw and 1,500 Mw of electricity from proposed hydro-electric and coal-fired power stations in that country.

By the end of this year, he added, Thailand and Malaysia could have completed negotiations on the sale of Malaysian gas to feed a power station with a capacity of about 1,600 Mw on or near their common border. A pipeline to the frontier area is already under construction on the Malaysian side.

He said other possible sources of energy for Thailand included the offshore exploration zone shared by Malaysia and Thailand, the hydro-electric potential of the Mekong river, Burmese gas, and hydro-carbons from Cambodia and Vietnam.

Mr Savit acknowledged that Thailand would continue to import oil from the Middle East but he raised the possibility of a European-style regional gas network and said: "A lot of our effort nowadays is spent on studying the integration with our neighbouring countries".

The Thai government would vigorously support exploration and development of oil and gas fields in Thailand, and study the possibility of establishing a nuclear power industry. Development of lignite resources would also probably continue, but the government was unlikely to proceed with building new dams solely for the purpose of generating electricity.

Mr Savit said that the Petroleum Authority of Thailand would be assigned to explore the possibility of building export refineries and establishing a "huge" oil storage capacity in southern Thailand to "stabilise" the regional oil market.

WORLD COMMODITIES PRICES

MARKET REPORT

SILVER set a life-of-contract low at 355 cents a troy ounce on Comex in early trading after speculative selling by commodity funds. Comex warehouse silver stocks were up 2m ounces at 272m ounces. Further support was pegged at 350 and then 340 cents. "Silver's actually looking quite interesting now, it's quite healthy to have a shake-out now and again and should encourage the buyers to emerge at these lower levels," one London dealer said. New York arabica **COFFEE** futures were bolstered in early trading by low delivery notices against the March contract. London **COCOA** futures edged higher as international cocoa agreement talks got under way in Geneva (see above). The market could be poised to make another attempt to breach key resistance around £745 for the May contract. Trading in LME **BASE METALS** was dull, with light downside pressure in all markets barring **ZINC**. There is little in the way of news to fan interest in the market at present, while physical activity remains fairly low key.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Apr)		+ or -
Dubai	$16.29-6.35	+0.35
Brent Blend (dated)	$18.60-8.64	+0.36
Brent Blend (Apr)	$18.57-8.61	+0.34
W.T.I (1 pm est)	$20.15-0.20	+.335
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$192-194	+2
Gas Oil	$175-176	+3
Heavy Fuel Oil	$72-73	+1
Naphtha	$172-174	+3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$330.75	+0.60
Silver (per troy oz)♣	358.5c	-4.5
Platinum (per troy oz)	$348.5	-10.75
Palladium (per troy oz)	$101.1	-7.9
Copper (US Producer)	104.0c	
Lead (US Producer)	33.5c	
Tin (Kuala Lumpur market)	14.91r	-0.08
Tin (New York)	268.0c	-1.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)	125.64p	+2.66*
Sheep (live weight)†♣	111.36p	+6.94*
Pigs (live weight)†	84.32p	+0.86*
London daily sugar (raw)	$232.0	
London daily sugar (white)	$265.5	-2.5
Tate and Lyle export price	£289.5	
Barley (English feed)	£140.0z	
Maize (US No. 3 yellow)	£165.5	
Wheat (US Dark Northern)	Unq	
Rubber (Mar)♥		
Rubber (Apr)♥		
Rubber (KL RSS No 1 Feb)	230.5m	-1.5
Coconut oil (Philippines)§	$442.5y	
Palm Oil (Malaysian)§	$432.5z	
Copra (Philippines)§		
Soyabeans (US)	£183.0z	
Cotton "A" Index	51.95c	
Wooltops (64s Super)	369p	-4

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Apr/May. u-Feb/Apr. x-Aug. w-Feb/Mar. z-Mar. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices. * change from a week ago, provisional prices.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Mar	730	724	731	721
May	736	734	739	730
Jul	752	746	751	742
Sep	763	757	763	755
Dec	780	778	778	774
Mar	799	796	799	791
May	808	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

Turnover: 5864 (4612) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Feb 22 738.58 (732.65) 10 day average for Feb 19 722.43 (718.10)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low	
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]

Turnover: [illegible] lots of 5 tonnes

ICO indicator prices (US cents per pound) for Feb 19: Comp. daily [illegible] 15 day average [illegible]

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	195.00	196.00	196.00	
May	212.00	212.00	211.00	
Aug	214.00	212.00	211.00	
White	**Close**	**Previous**	**High/Low**	
May	268.50	263.50	268.00	263.50
Aug	268.80	266.00	267.90	264.50
Oct	258.00	250.40	251.90	248.90

Turnover: Raw 231 (189) lots of 50 tonnes. White 1297 (514) Paris- White (FFr per tonne): May 1487.11 Aug 1328.95

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Apr	18.56	18.28	18.67	18.34
May	18.62	18.36	18.72	18.41
Jun	18.66	18.42	18.77	18.66
Jul	18.75	18.47	18.77	18.55
Aug	18.77	18.48	18.85	18.69
Sep	18.70	18.49	18.80	18.72
Nov	18.91	18.80	18.91	
Dec	18.94	18.73	18.94	
IPE Index	18.58	17.75		

Turnover 22956 (21196)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Mar	171.75	167.25	172.00	168.75
Apr	171.50	167.75	172.00	168.50
May	171.50	167.75	172.75	169.75
Jun	171.75	168.25	172.50	170.00
Jul	173.25	170.00	173.25	171.00
Aug	175.00	171.50	173.00	171.50

Turnover 10082 (12631) lots of 100 tonnes

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
Apr	45.0	42.6	45.0	42.6
May	48.0	44.5	46.0	
Apr	85.0	85.6	90.0	

Turnover 84 (87) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low	
Jun	142.20	144.60	142.20	141.20
Aug	143.70	143.00	143.70	
Oct	145.00	146.00	145.00	

Turnover 175 (75) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
Feb	1382	1380	1382	
Mar	1395	1395	1405	1395
Apr	1400	1392	1405	1385
Jul	1250	1210	1218	1220
Oct	1375	1375	1375	
BFI	1379	1375		

Turnover 132 (328)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Mar	142.75	142.50	142.75	142.20
May	144.75	144.30	144.75	144.30
Jul	145.70	145.35	145.70	145.25
Nov	111.65	111.80	111.65	
Jan	114.65	114.55	[illegible]	
Barley	**Close**	**Previous**	**High/Low**	
Mar	138.75	138.15	138.00	138.50
May	140.15	140.15	140.15	
Nov	110.65	110.75	[illegible]	

Turnover: Wheat 55 (240), Barley 118 (131). Turnover lots of 100 Tonnes.

TEA

There were 14,436 packages for the day, reports the Tea Brokers' Association. Assams met good competition at fully firm to dearer rates, while south Indians also realised improved prices. Bright Africans proved irregular, although price levels showed little change. Colourys mediums came to a firm market but thinner liquoring descriptions were 2 to 10p easier. Offshore improved demand with brighter teas fully firm to dearer. The highest price realised this week was 213p for a Rwanda pf.1. Quotations: quality 180, good medium 158p, medium 140p, low medium 110p.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Apr	104.0	104.0	105.0	
Sep	104.5	105.5		

Turnover 2 (3) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 29,739 lots	
Cash	1202.5-3.5	1204-5		1203.5-4		
3 months	1224-4.5	1226-7	1229/1222	1224.5-5	1221-2	161,356 lots
Copper, Grade A (£ per tonne)					Total daily turnover 31,408 lots	
Cash	1520.5-1.5	1527.5-8.5	1524.5	1523-4		
3 months	1545-5.5	1551-1.5	1553/1545	1547.5-8	1544-5	151,828 lots
Lead (£ per tonne)					Total daily turnover 2,634 lots	
Cash	293.5-4.5	295-6	293.5	292.5-3		
3 months	293-3.5	295-5.5	295/292	293-3.5	292-3	17,706 lots
Nickel ($ per tonne)					Total daily turnover 4,233 lots	
Cash	6200-5	6220-30	6310/6205	6207-8		
3 months	6261-5	6280-90	6300/6240	6265-8	6240-5	40,778 lots
Tin ($ per tonne)					Total daily turnover 1,206 lots	
Cash	5795-65	5795-805		5775-85		
3 months	5820-5	5855-60	5845/5818	5837-40	5810-5	8,270 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 9,331 lots	
Cash	1062-4	1062-3		1061-2		
3 months	1081-3	1081-2	1083/1081	1081.5-2	1081-2	82,416 lots

LME Closing £/$ rate: SPOT: 1.4530 3 months: 1.4450 6 months: 1.4380 9 months: 1.4323

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	330.50-330.00	
Opening	329.00-329.40	
Morning fix	328.90	225.993
Afternoon fix	329.70	228.411
Day's high	330.70-331.00	
Day's low	329.30-329.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.55	6 months	2.47
2 months	2.51	12 months	2.48
3 months	2.49		

Silver fix	p/troy oz	US cts equiv
Spot	246.25	358.15
3 months	249.90	360.90
6 months	253.25	365.90
12 months	259.50	370.15

GOLD COINS

	$ price	£ equivalent
Krugerrand	329.00-332.00	225.00-227.00
Maple leaf	339.75-342.00	-
New Sovereign	78.50-81.50	54.00-56.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	Jun	Mar	Jun
1175	47	77	4	11
1225	15	44	22	28
1275	3	22	60	55
Copper (Grade A)	**Calls**		**Puts**	
2200	46	76	20	38
2250	25	60	44	61
2300	9	31	79	91
Coffee	**May**	**Jul**	**May**	**Jul**
900	88	72	25	44
950	68	46	43	70
1000	36	32	79	104
Cocoa	**Mar**	**May**	**Mar**	**May**
700	116	52	24	15
725	101	36	32	24
750	50	25	42	36
Brent Crude	**Apr**	**May**	**Apr**	**May**
1800	74	-	18	32
1850	49	64	33	49
1900	21	-	-	-

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Feb	328.2	330.5	330.6	326.0
Mar	328.1	330.3	0	0
Apr	328.8	331.0	332.0	328.7
Jun	330.1	332.3	333.3	329.8
Aug	331.4	333.6	333.8	331.2
Oct	332.8	335.0	333.5	332.2
Dec	334.2	336.5	337.3	334.0
Feb	335.7	338.1	0	0
Apr	337.3	339.7	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Feb	339.8	359.8	0	0
Apr	339.2	357.4	351.0	337.0
Jul	336.5	355.4	350.0	336.0
Oct	336.2	353.9	348.0	336.0
Jan	334.0	351.7	348.0	341.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Feb	352.3	356.2	355.0	358.0
Mar	352.5	356.5	356.5	351.0
May	355.0	359.0	359.0	353.5
Jul	357.3	361.3	361.5	356.0
Sep	359.8	363.6	363.5	355.0
Dec	363.3	367.1	367.5	362.0
Jan	363.7	367.5	0	0
Mar	366.9	370.7	371.0	366.0
May	369.5	373.3	371.0	371.0
Jul	372.1	375.9	376.0	376.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	98.80	98.55	98.80	98.80
Mar	98.70	98.75	99.15	98.50
Apr	99.15	99.15	99.20	99.20
May	99.85	99.45	99.85	99.30
Jun	99.90	99.70	99.85	99.85
Jul	100.05	100.05	100.35	99.85
Aug	100.30	100.30	0	0
Sep	100.60	100.60	101.00	100.60

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Mar	19.94	19.82	20.07	19.84
Apr	20.16	19.80	20.28	20.03
May	20.22	19.90	20.34	20.14
Jun	20.29	19.99	20.40	20.23
Jul	20.35	20.08	20.45	20.31
Aug	20.40	20.14	20.50	20.37
Sep	20.44	20.20	20.53	20.40
Oct	20.45	20.25	20.56	20.45
Nov	20.46	20.27	20.56	20.47
Dec	20.48	20.27	20.60	20.47

HEATING OIL 42,000 US galls. cents/US galls

	Latest	Previous	High/Low	
Mar	56.20	55.32	56.65	55.90
Apr	56.45	55.51	56.80	56.20
May	55.85	55.15	56.30	55.80
Jun	55.66	54.93	56.96	55.70
Jul	55.85	56.23	56.16	55.86
Aug	55.66	55.93	56.90	56.80
Sep	57.70	57.05	58.00	57.70
Oct	58.05	58.05	0	0
Nov	59.40	58.90	0	0
Dec	60.40	59.75	60.40	60.40

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	924	897	925	902
May	959	929	960	934
Jul	984	955	985	960
Sep	1007	982	1007	986
Dec	1035	1016	1036	1024
Mar	1065	1040	1063	1050
May	1086	1063	0	0
Jul	1100	1083	0	0
Sep	1131	1106	0	0
Dec	1168	1143	1163	1158

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	67.16	65.75	67.70	66.15
May	69.16	68.00	69.60	68.60
Jul	70.80	69.65	71.40	70.30
Sep	72.30	71.05	72.70	72.00
Dec	74.65	73.70	75.10	74.50
Mar	77.25	76.25	77.25	77.25
May	78.25	78.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	9.34	9.00	9.42	9.05
May	9.62	9.43	9.67	9.48
Jul	9.82	9.65	9.87	9.66
Oct	9.12	8.99	9.15	9.09
Mar	8.97	8.85	9.00	8.94
May	8.97	8.85	0	0
Jul	8.99	8.93	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	63.21	63.80	64.15	62.80
May	62.96	63.70	63.75	62.70
Jul	63.63	64.50	64.45	63.60
Oct	63.36	63.83	63.70	63.00
Dec	62.45	62.80	62.75	62.31
Mar	63.20	63.65	0	0
May	63.90	64.35	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	71.95	69.95	72.00	69.25
May	75.30	73.85	75.40	72.75
Jul	78.25	76.65	78.25	75.80
Sep	80.30	79.25	80.50	80.00
Nov	83.00	82.00	83.25	83.00
Jan	84.85	84.50	85.25	83.50
Mar	86.05	87.00	86.10	86.10

INDICES

REUTERS (Base:September 18 1931 = 100)

Feb 22	Feb 18	mnth ago	yr ago
1774.2	1771.1	1696.7	1600.5

DOW JONES (Base: Dec. 31 1974 = 100)

	Feb 18	Feb 18	mnth ago	yr ago
Spot	125.32	125.30	123.12	118.73
Futures	126.36	126.01	121.50	122.07

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	570/6	573/2	573/2	570/2
May	569/4	573/6	573/2	569/0
Jul	573/2	577/2	576/6	573/0
Aug	575/2	579/2	578/0	575/0
Sep	576/0	579/2	578/4	576/0
Nov	581/4	584/4	583/4	581/2
Jan	586/6	601/4	591/0	588/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	20.65	20.80	20.81	20.65
May	20.83	21.11	21.00	20.82
Jul	21.04	21.38	21.29	21.04
Aug	21.00	21.35	21.31	21.08
Sep	21.09	21.34	21.30	21.09
Oct	21.08	21.35	21.30	21.09
Dec	21.20	21.43	21.40	21.20
Jan	21.22	21.46	21.45	21.22

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	176.5	178.9	176.7	175.6
May	177.8	178.4	178.2	177.0
Jul	179.3	180.2	180.1	179.0
Aug	180.3	181.2	180.6	180.1
Sep	181.1	182.0	182.0	181.0
Oct	182.0	182.9	182.5	181.7
Dec	184.0	184.5	184.4	183.4
Jan	184.2	184.6	0	0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	211/6	212/6	213/0	211/4
May	219/6	220/2	220/4	219/4
Jul	226/6	227/2	227/6	226/4
Sep	232/4	233/0	233/4	232/2
Dec	238/4	239/0	239/4	238/2
Mar	245/2	246/0	246/0	245/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	369/0	366/6	369/6	366/6
May	338/0	366/6	339/2	336/2
Jul	316/6	317/6	319/0	316/2
Sep	321/2	322/0	323/0	320/6
Dec	328/4	331/0	332/0	328/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	79.975	79.150	80.000	78.950
Jun	73.975	73.250	74.100	73.025
Aug	71.175	70.775	71.250	70.550
Oct	72.575	72.100	72.650	71.900
Dec	73.380	72.800	73.400	72.650

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	44.650	44.750	45.000	44.750
Jun	50.450	50.225	50.500	50.225
Jul	48.950	48.900	49.050	48.850
Aug	46.550	46.500	46.650	46.425
Oct	41.875	41.850	41.900	41.700
Dec	42.925	42.900	43.000	42.900
Feb	43.050	43.050	43.250	43.050

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	37.525	37.300	37.775	37.250
May	38.700	38.600	39.000	38.550
Jul	39.025	39.150	39.350	38.950
Aug	37.450	37.675	38.000	37.450

FINANCIAL TIMES SURVEY

Bob Rae, provincial premier since 1990, has had some bruising battles: **Page 2**

ONTARIO

'Reduce, re-use, re-cycle' – environmental policy drives forward at a gallop: **Page 4**

Tuesday February 23 1993

Toronto, Ontario's capital, is an important financial centre in North America: it has Canada's principal stock exchange, the head offices of five of the six biggest banks, and several dozen foreign banks *Picture: FT/Glyn Genin*

Running to catch up with reality

Living standards remain high, but Ontarians have had to adapt to less comfortable circumstances since recession hit the province

NASTY WINTERS aside, the 10m inhabitants of the Canadian province of Ontario enjoy a lifestyle which people in most other parts of the world can only dream of.

Generous social security, free medical care of the highest quality, an ultra-modern telephone service, superb public transport, a low crime rate ... such are the benefits of living in Canada's industrial heartland – the wedge of North America squeezed between the Great Lakes and Hudson Bay.

High living standards have given Ontario the luxury of breaking new ground in public policy. It is a pioneer in pay-equity, which seeks to provide equal rewards to man and women for work of equal value. An Environmental Bill of Rights, now under discussion, would give the public a degree of power over polluters which is matched by few – if any – other national or regional government.

Ontario even copes well with its frigid winters. Office workers and shoppers in central Toronto can stroll warmly through miles of underground malls. The Rideau Canal in Ottawa becomes a five-mile skating rink for commuters and tourists between January and March.

And yet, for all its attractions and its leading-edge policies, Ontario is not a happy place these days. Far from feeling comfortable, the province is struggling to come to grips with some harsh realities.

The problem is summed up by Mr Peter Barnes, the province's most senior civil servant, who is spearheading an overhaul of the industry and trade ministry: "Ontario has had a very easy time of it since 1945; it was a complacent place. Now, we're having to run to catch up."

Ontario has traditionally been the object of envy and resentment among Canadians in other parts of the country. Contributing 40 per cent of the country's output, it is the Canadian base for Detroit's Big Three carmakers and the hub of Canada's steel industry. Ontario has drawn far more foreign investment than any of the other nine provinces – including all but one of the Asian car plants in Canada.

Toronto, the provincial capital, is Canada's financial centre; site of the country's principal stock exchange, the head offices of five of the six biggest banks, and several dozen foreign banks.

Mining and forestry have been the backbone of many smaller Ontario communities. A large chunk of the world's nickel is mined in Sudbury, north of Toronto. Gold and zinc, among other minerals, are found in abundance. But many of the industries and resources which for years seemed to give Ontario a competitive edge have lately turned out to be a millstone.

No region of Canada (and few anywhere else) enjoyed stronger economic expansion in the early and mid-1980s. Real growth soared at an annual rate of 6 per cent between 1983 and 1988. But Ontario's "rust-belt", its service and resource industries have also been hit hardest by the recession. The economy contracted in 1990 and 1991 and barely grew last year.

Dofasco and Stelco, the pillars of the province's steel industry, have racked up combined losses of C$1.4bn in the past three years. Toronto's office vacancy rate of almost 25 per cent is about five points above the national average.

Slumping prices have devastated low-grade uranium producers, and forced cutbacks by Inco and Falconbridge, the two nickel mining companies. Similarly, falling demand and stiffening competition have doomed old and inefficient newsprint mills. Ontario's structural weaknesses have been further exposed by the 1989 US-Canada free trade agreement and the trend among North American companies to integrate their US and Canadian operations.

Investors increasingly compare Ontario not with other provinces in Canada, but with the states south of the Canadian border. While they may appreciate Ontario's skilled labour force and its low health-care costs, their enthusiasm for doing business in the province is dampened by high taxes, ever-tightening environmental and workplace rules, and soaring electricity costs.

The investment climate has not been helped by a spendthrift Liberal government, which held office from 1985 to 1990, nor by its more left-wing New Democratic Party (NDP) successor, which surprised everyone (including itself) by winning a snap election in September 1990.

Despite the surge in economic growth, the Liberals ran a hefty budget deficit in all but one of their years in office. The recession's squeeze on tax revenues pushed up the deficit from C$3bn in the year to March 1991, to almost C$11bn in each of the last two years. The debt burden has soared to the point where the province of Ontario has recently had the dubious distinction of being among the Euromarket's four biggest borrowers.

The present government, backed by labour and social activist groups, has done little to brighten the business mood in its first two years in office. Some NDP ministers, drawn from the ranks of organised labour or special-interest groups, have either been out of their depth or ideologically antagonistic to management concerns.

"There's a lack of understanding of what government costs do to make industry uncompetitive," says Mr Richard Sexton, president of ED Smith, an Ontario-based food processor which recently hedged its bets by acquiring a company in Mississippi.

The NDP government proposed – and then backed away from – a government-run car insurance scheme. But other contentious insurance reforms are still on the table. For instance, in the interests of gender equality, insurers will be compelled to quote the same premiums to young male and female drivers, despite the wide disparity in risk.

Mr Bob Rae, the provincial premier, has unsettled prospective investors with his strong opposition both to the 1989 US-Canada free trade agreement and to the North American pact, including Mexico, which the federal government would like to implement in January 1994. The NDP has so far ignored pleas from business to harmonise the province's sales tax with the federal government's politically unpopular Goods and Services Tax.

The business community is especially angered by a new labour law which gives more muscle to trade unions.

Among other things, the law known as Bill 40 bans the use of "replacement" workers during strikes or lockouts. In these days of just-in-time delivery, the ban means that a work stoppage at a small components supplier could bring General Motors' or Ford's assembly lines to a halt.

On the brighter side, the deepening fiscal mess and the loss of jobs appear to have had a sobering effect on Mr Rae and some of his colleagues. "There's no question that necessity is the mother of invention," Mr Rae said in a recent interview. "It's given us a tough framework in which to respond."

To its credit, the NDP government has begun to crack down on ballooning health-care costs, which make up about a third of the total provincial budget. A decision to delay a C$1bn pay-equity plan for the provincial civil service flies in the face of the NDP's traditional priorities. Mr Rae has given notice of plans to overhaul welfare programmes, another costly budget item, linking them more closely with job training.

Meanwhile, new brooms are starting to sweep through Ontario Hydro, the beleaguered power utility, and the trade and industry ministry, responsible for attracting new investment to the province.

These signs of a shift from ideology to reality at Queen's Park, the seat of government in Toronto, have yet to translate into an improved climate among the business community or the public at large. An accelerating economy should give the province a lift this year and next. But several years of disciplined and far-sighted government are also required if Ontario is fully to recover its reputation.

Bernard Simon

The ranks of banks seem a little crowded, writes **Theresa Byrne**

Stock exchange seeks more local investors

TORONTO has not only overtaken Montreal as Canada's financial centre, but is now home to almost all the biggest organisations in the financial services industry.

The city has also attracted about 50 Canadian subsidiaries of foreign banks, together with a growing number of North American, European and Japanese investment managers, and a long list of foreign-controlled insurance companies. The Toronto Stock Exchange (TSE) accounts for more than three-quarters of the value of shares traded on Canada's five exchanges.

But the liveliness of the TSE trading floor will soon be history. The floor will be converted into offices when the TSE completes its transition to a fully-automated trading system, next January. The exchange will then take its place among the "most sophisticated trading systems in the world," according to Mr Pearce Bunting, its president.

Tha transition to a fully-automated floor has not been without problems. The project was originally scheduled to be completed in early 1993. The deadline was moved to the end of this year, then to early 1994. The delays have arisen partly to give the TSE time to respond to suggestions made by members.

Reliability is also an important concern. The TSE is anxious to avoid a repetition of the criticism levelled at it last spring when problems with new software closed the floor for four hours.

In 1992, the TSE traded 7.3bn shares, up 25.5 per cent from 1991. The value of shares traded last year was C$76.2bn, up 12.4 percent. Preliminary figures show that trading on all Canadian exchanges rose 12.9 per cent to C$101.8bn in 1992. Upgrading the trading system has been a high – and sometimes controversial – priority for Mr Bunting since he took over as TSE president in 1977. A Computer Assisted Trading System, known as Cats, was installed when the exchange moved to its current quarters in First Canadian Place in 1983. (Tha Cats system was sold to exchanges in Brussels, Paris and Madrid.)

Automation will lower the cost of a seat on the Toronto Stock Exchange

The prospect of automation has dramatically lowered the cost of a seat on the TSE. Previously, a seat entitled a member to only 6 traders. So the more traders a firm wanted, the more seats it required. But the disappearance of the trading floor means that each member will need only one. Seats changed hands at a peak of about C$370,000 in 1988, but the price has now tumbled to

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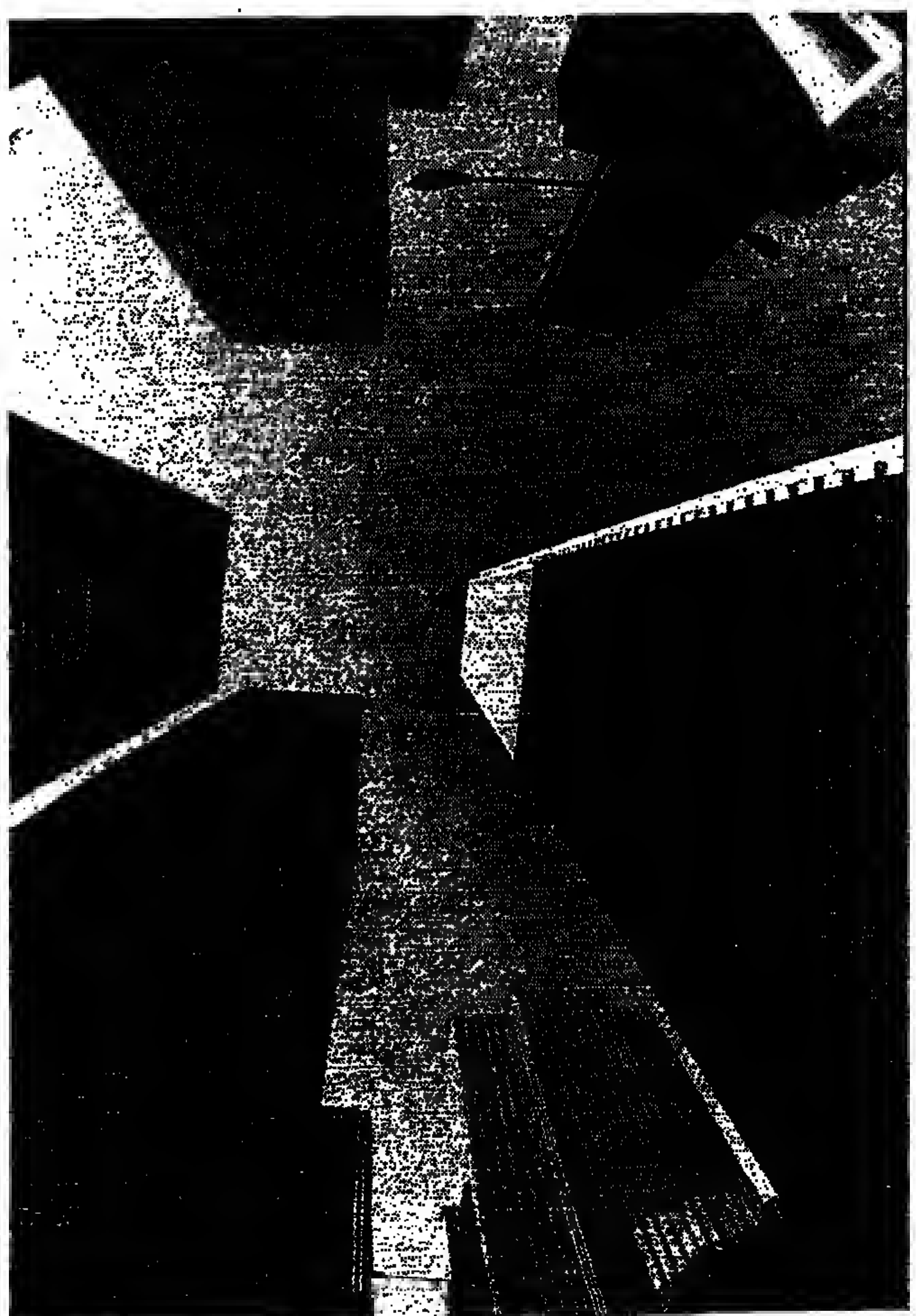
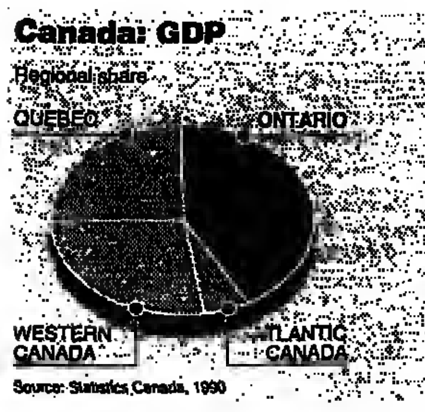
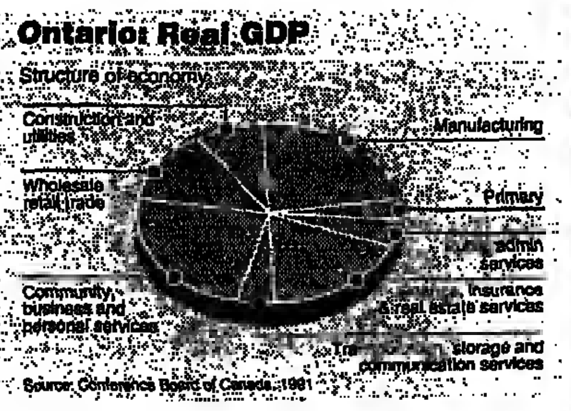


Toronto's financial services industry is housed in office blocks zooming skyward *Picture: FT/Toby Andrews*

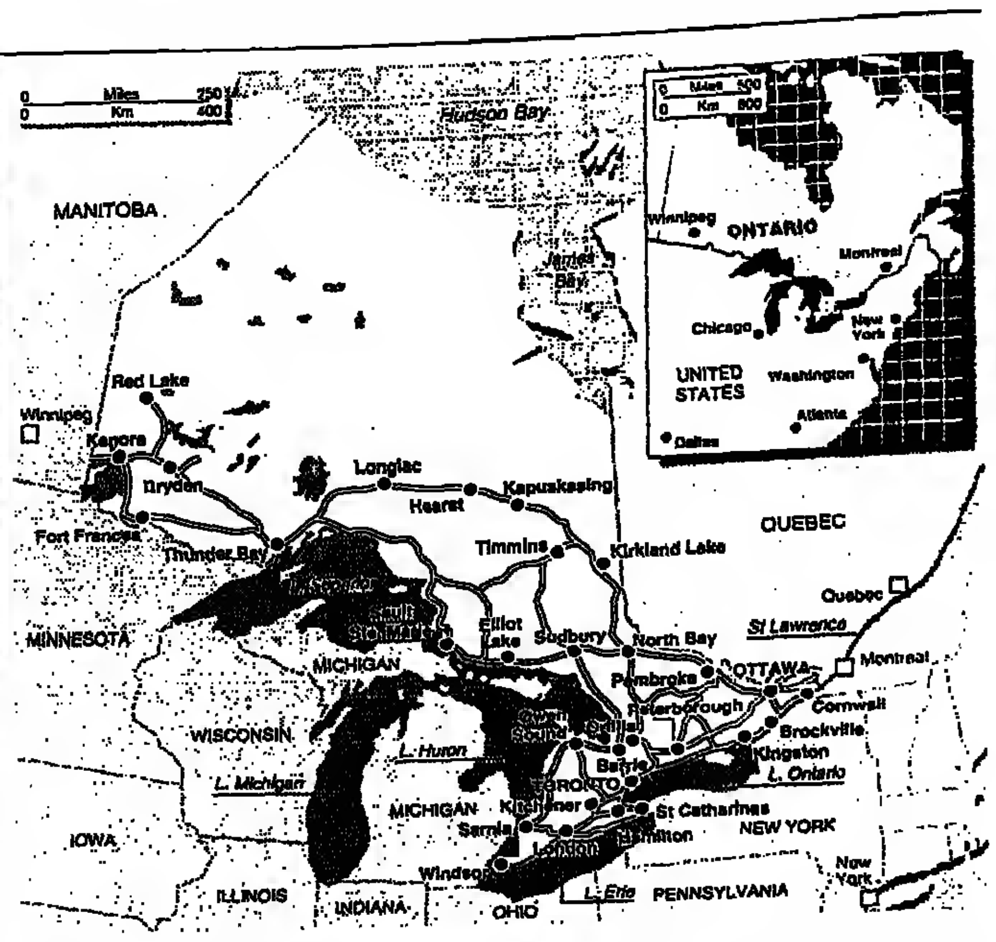




Bernard Simon meets the provincial premier

Likeable firefighter

Bob Rae: he acknowledges that times have been tough



MENTION the name Bob Rae to almost anyone in Ontario, from taxi drivers to business leaders, and the response is unlikely to be flattering.

The taxi driver will probably give a snort of disgust. The business leader will wonder aloud bow such a likeable, intelligent man could preside over such a mess.

Mr Rae readily acknowledges that times have heen tough since he took over as provincial premier after the New Democratic Party's surprise election win in Sept 1990. But he also insists that criticism of his social-democratic governmeot is exaggerated.

In dealing with the province's business community, Mr Rae says: "I find a dramatic contrast between the rhetoric levels that I see in the newspapers and hear in pnhlic speeches, and what people say to me in person."

He ticks off several initiatives taken by his government which have benefited business. Corporate income tax rates have gone down. Donations to universities for research and development are now tax deductible.

The government is shaking up the provincial ministry of trade and industry to provide better service for both local and foreign investors. In particular, Mr Rae cites his government's strenuous efforts to contain the health-care hndget, which makes up almost a third of total government spending. The health ministry's outlays for the year to March 31 1993 are expected to he about C$152m less than the C$17bn projected in last April'e budget.

Bob Rae's background hardly fits the picture of a left-wing ideologue painted hy his political opponents and by many in the province's business community.

A boyish-looking 44 years old, his father was a senior Canadian diplomat, and he was edncated at private schools in Ottawa, Washington and Geneva before winning a Rhodes scholarship to Balliol College at Oxford.

Many outsiders consider him among the more pragmatic members of the NDP government. Bnt whether through inexperience or commitment to the party's backbone of trade unions and social activists, the premier has found himself in one firefight after another with business.

The most bruising battle has been over a new labour law, which among other things, forhids companies from hiring replacement workers during a strike. The government has also clashed with business over plans to reform the motor-vehicle insurance system, the travails of Ontario Hydro, environmental policy and the North American free trade agreement.

Ms Susan Murray, a lobbyist for several business groups, says that Mr Rae and his NDP colleagues have been chastened hy these battles. "We're finding them very different to deal with now than a year ago," Ms Murray says. "They're now not only looking for solutions on the economic side, hnt also looking for investment." She says that the government is increasingly seeking advice from business leaders.

Ms Lyn Macleod, leader of the opposition Liberal party, is less charitable. Ms Macleod still detects "a profound distrust" of the private sector in government circles.

While she acknowledges Mr Rae's efforts in containing health-care costs, she notes that spending is increasingly being directed towards the non-profit sector and away from business interests, sucb as privately-run medical laboratories, retirement homes and child-care centres.

Mr Rae emphssises the importance of "partnerships" between business and government in such fields as worker training.

Asked whether tax increases are likely to feature in the forthcoming provincial budget, he says that "I don't want to see anything done in the budget which is going to create competitive difficulties for Canadian business."

But Boh Rae will be judged by deeds rather than words. Despite some signs of thaw in government-business relations, Ontario's captains of commerce and industry have to be convinced that the NDP is out to help rather than hinder.

Stock exchange will introduce third index

continued from Page 1

roughly C$50,000. A growing number of smaller "niche" firms is joining the TSE, Mr Bunting says.

The Canadian Broadcasting Corporation's pension fund became the exchange's first (and so far, only) institutional member late last year when it pnrchased a seat on the exchange. Mr Jerome Lapointe, manager of the CBC pension fund, said that lower membership fees and the opportunity to save on brokerage commission were considerations in the decision to obtain a TSE seat.

The TSE hopes to improve its appeal to investors with the introduction of a third, medium-level index, to be composed largely of the 100 stocks with the biggest market valne. Currently, the TSE's performance is measured by its TSE 35 and the more broadly-based TSE 300 composite index of stocks. Mr Gordon Walker, director of derivative marketing, calls the TSE 300 the "index of investor sentiment," or a Canadian version of the Dow Jones index on Wall Street.

Bnt the TSE 300 inclndes many stocks which are not traded by the larger institutions. The new TSE 100 will more closely reflect what money managers in Canada are buying and selling, Mr Walker says.

Efforts to reach smaller investors inclnde a "mini-exchange" at a financial trade show held in Toronto each February. Newcomers to the market can buy or sell np to 100 shares of a select group of stocks at a fraction of the regular brokerage fees. At last year's "mini-exchange", members of the pnblic traded a record C$2.9m in the 10 shares on offer.

Instead of trying to compete with other North American exchanges for international capital flows, the TSE is focusing most of its attention on Canadian investors. "Our general view at the moment is to concentrate our marketing on our existing prodncts and try to improve their liquidity," says Mr Bunting.

Foreign financial institutions have taken a higher profile in the Toronto securities market through their purchase of stakes in local firms. Deutsche Bank, SG Warburg, James Capel and Sanwa Bank are among those which have joined forces with Canadian firms over the past five years. Mr Patrick Mars, president of Bunting Warburg, in which SG Warburg has a 50 per cent stake, says that the link with a well-known internstional money manager has broadened his firm's base. It has enabled the firm to expand its activity in the primary financing area, managing a number of issues. Moreover, Mr Mars says that the alliance has given the Canadian dealer greater access to research worldwide, and improved its ability to advise Canadians on investing overseas.

Many other financial institutions have not found life in Toronto so rewarding. Some foreign-owned banks which set np operations following the deregulation of the 1980s are struggling in the face of an unexpectedly fierce competitive environment.

"The Canadian market is pretty over-banked as it is," says Laurence Booth, professor of finance at the University of Toronto. "The (foreign banks) that are in trouble are the ones which haven't got a focus."

Insnrance companies in Ontario worry abont additional costs which would follow the implementation of proposed anto insurance reforms in Bill 164. Under tbe new rules, the provincial government has projected a 4 per cent rise in costs which, among other things, would expand accident victims' ability to sue for pain and suffering. But an Insurance Burean of Canada study predicts that costs could rise by between 12 and 15 per cent.

The Flatiron building squats below the Royal Bank in Toronto's financial district, a cityscape dominated by the spectacular CN Tower

Picture: Ontario Government Office

Dissatisfaction has driven some companies south of the Canadian border, writes **Bernard Simon**, but others are doing fine

Businesses back off

SOME BUSINESSES are so disenchanted with Ontario that they have moved their factories lock, stock and barrel elsewhere – invariably to the US or Mexico. Tridon, a Canadian-owned maker of motor vehicle indicators, windshield wipers and hose clamps, closed its Ontario operations in mid-1991 with the loss of over 600 jobs. The same items are now produced at three plants near Nashville, Tennessee.

Lawson Mardon, the packaging group controlled by Cragnotti and Partners of Italy, put up the shutters at its detergent carton factory on the outskirts of Toronto last year at the same time as it started producing the same items at a new plant in Syracuse, New York.

The mining industry, a backbone of many rural communities, is especially unhappy. American Barrick, the gold producer whose head office is in Toronto, is not spending a penny on exploration in Ontario (or any other part of Canada) this year. Citing low returns on investment and Ontario's recent labour law, Mr Bob Smith, Barrick's president, asks rhetorically: "Where the hell would you put your money?" Barrick is now focusing its efforts on the US, Mexico and Chile.

Ms Martha Hoffman, project manager at the Western New York Economic Development Corp in Buffalo, estimates that 200-300 Canadian companies have set up operations in that part of New York state since the mid-1980s. According to Ms Hoffman, the gap between costs in Ontario and New York is not as wide as it is often perceived to be. But incentives offered by US agencies – such as extended property tax concessions and low financing rates – are more generous than those available in Canada.

The expectation of wider access to the US market is the clincher for many companies. "By being here, they feel they have a better chance of penetrating it than they do from Canada," Ms Hoffman says.

Tridon's move to Tennessee is typical of the manufacturers which have headed south. Mr Murray Kingsburgh, executive vice-president of Devtek, Tridon's controlling shareholder, says the impetus came from competitors in the northern US, which were moving to the southern states and Mexico in search of lower costs, especially labour. "We knew it had to be done to remain competitive," Mr Kingsburgh says. The move was driven entirely by a comparison of costs. He specifically mentions high wages and taxes in Ontario. Neither the old nor the new workforces was unionised.

With trade barriers crumbling between the US and Canada, Ontario faces the challenge of proving to investors that it is the best base for serving not only Canada's industrial heartland but also a wide swathe of north-east North America.

Lawson Mardon's new carton plant in Syracuse, for instance, supplies both the US and Canadian markets. Customers south of the border, such as Procter & Gamble, Colgate and Unilever, encouraged the company to move as stiffening competition from US suppliers cut into Lawson's market share.

Europeans seem happier

THE MOANS and groans about doing business in Ontario have not discouraged some foreign companies from investing in the province – and expressing satisfaction with the results.

Chrysler's mini-van plant in Windsor and its car assembly line in Bramalea, north-west of Toronto, contribute about a third of the company's total North American output, a much higher proportion than General Motors' or Ford's Canadian operations.

Chrysler chose the Bramalea factory to build its new LH mid-sized car. In contrast to the cuts being made by other motor manufacturers, Mr Yves Landry, president of Chrysler Canada, said recently that the future of 3,000 workers at the Bramalea plant "looks bright indeed." The factory, which turned out 260,000 vehicles in 1992, added a second shift last December.

Toronto is home to the only restaurants in North America owned by Movenpick, the German-Swiss chain.

Movenpick's newest outlet, in the atrium of one of the city's office towers, has been a spectacular success since it opened last year. The self-service restaurant, which has the feel of a hustling marketplace, serves 3,500 to 4,000 people a day, each of whom spends an average of C$10.

Mr Johannes Karbach, Movenpick's operations director, says Toronto's big advantage is its cosmopolitan population. "We're not only fighting for people who have roast beef and mashed potato," he says.

But the return on Movenpick's C$7m investment is still razor-thin. According to Mr Karbach, food and other basic supplies are competitively priced, but Movenpick has difficulty passing on steep increases in electricity rates and municipal services.

Lear Seating, a US-owned car seat manufacturer, is currently building its fourth factory in Oakville, on the outskirts of Toronto.

The site was chosen mainly because of its proximity to a Ford assembly line, which will be its main customer. But Lear did look just across the border, around Buffalo, New York, before settling on Oakville. Besides the location, a company official says, Lear was attracted by an abundance of semi-skilled labour. He adds that government agencies were "very receptive" and worked closely with Lear to smooth the way for construction of the 90,000 sq ft factory.

The Ontario government is becoming much more aggressive in fighting for new investment, according to Mr Peter Barnes, deputy minister for trade and industry. "The Japanese have learnt the value of stamina, we have to learn it too," says Mr Barnes, as he reels off details of his ministry's new "customer-oriented" approach to investors.

Mr Barnes also says that Ontario's drawcards include political and economic stability, the quality of life and a productive workforce. European firms, in particular, appreciate that Toronto has a more cosmopolitan ambience than most parts of the US.

Araminta Wordsworth reviews Ontario's increasingly successful wine industry

Drink to me also with thy skills

TWENTY years ago, the British wine expert Hugh Johnson pronounced Ontario wines barely palatable. Today he would have to drink his words.

Small, quality-driven wineries and shrewd marketing have put Ontario wines on the map. Now the province's big three – T.G. Bright & Co Ltd, Cartier Wines & Beverages Corp and Andres Wines Ltd – are joining them, emphasising vinifera or hybrid vintages rather than bulk table wines. Today there are more than 20 wineries in the Niagara Peninsula, a short drive from the famous falls. Others are to be found on the north shore of nearby Lake Erie and Pelee Island.

They include Inniskillin Wines Inc (now part of Cartier) which pioneered the "boutique" trend in 1975; Hillebrand Winery Estates; Cave Spring Cellars Ltd; Stonechurch Vineyards and Reif Winery Inc. In the 12 months to November 1992, Ontario produced 2.3m cases of wine, up from just over two million cases a year earlier.

About two-thirds of this was white wine, reflecting consumers' preference for lighter drinks.

Ontario's climate – "Algerian summers and Siberian winters," says veteran winemaker Paul Bosc of Chateau des Charmes – and wine-makers' technique come together in icewine. This rare and expensive wine is one of the province's specialties, winning prizes at international competitions such as Bordeaux's VinExpo. To make it, the grapes are left on the vines after harvest time, and the semi-dried fruit is picked only when the temperature drops below minus 7C, usually just after Christmas. It is pressed while still frozen. The result is a powerful essence of wine, concentrated but not over-sweet despite its high residual sugar.

Last November, in a pre-Christmas promotion, the Liquor Control Board of Ontario released icewines from 15 wineries. More than half the 2,800 cases on offer have been sold, reports Chris Layton, spokesman for the Liquor Control Board of Ontario, the monopoly that sells and distributes wine in the province. Icewines, he says, are "moving up quite well" given the recession and the high prices (about C$35 to C$50 a half-bottle). Robert Joseph, editor of Britain's influential Wine magazine, says Canadians have overtaken the Germans as masters of icewine-making because of their attention to detail. "When you make sweet wines, wine-making skills pay off. The character of the grapes is less important."

Such skills are also in evidence in other Ontario wines. "Canadians are producing more and more handcrafted wines," Robert Joseph says. But because Ontarian winemakers recognise the limitations of their climate, which is something like Germany's (only more extreme), they are concentrating on white wines, crafting Rieslings and Chardonnays which have drinkers coming back for more. The problem now is to establish a distinctive character to the wines – between the fat, buttery taste associated with California wines and the steel of French Chablis.

Jean-Laurent Groux, the French-trained winemaker at Hillebrand Estates Winery, in the Niagara Peninsula, is proud to describe his Chardonnays as "Canadian," with subtle essences of citrus and pear. He is also producing impressive red wines, part of Hillebrand's Trius line of vineyard-designated Cabernets and Chardonnays.

Ontario winemakers' credibility has been strengthened by the Vintners Quality Association (VQA), a programme run with the provincial government. Mr Don Ziraldo, a co-founder of Inniskillin, dreamed up the idea in the mid-1980s. His original idea was for an alliance of small producers who would concentrate on top quality wines. It has now been expanded to cover Ontario's three main winegrowing areas. Modelled on the French *appellation controlée* system, the VQA has established strict criteria for certifying a wine. Most important, wines must be made from varietal or hybrid grapes – eliminating labruscas, which give Ontario wines their much maligned, foxy taste.

Sales of VQA wines rose by 72 per cent in the year ending September 1992: 474,000 litres, up from 376,000 litres the previous year, according to the Canadian Wine Institute. This helped to increase Ontario wines' market share to 42 per cent – after years of losing ground to imports.

Inniskillin is represented in Britain by Averys of Bristol, and Hillebrand is distributed through London-based wine merchants Corney & Barrow, which sells its barrel-aged Chardonnay and Brule blanc.

Robert Gibbens investigates Ontario's powerhouse

Generating capacity glut

ONTARIO HYDRO, the powerhouse of Ontario's industrial might, is taking a dramatic shift in direction to cope with zero demand growth.

The utility, owned by the provincial government, has long been a North American technical leader and chief salesman for Canada's heavy-water nuclear reactors. But more recently it has had to withstand withering criticism from industry and consumers for steeply rising power rates.

Heavy cost overruns and start-up problems at its C$15bn 3,600MW Darlington nuclear plant near Toronto have raised questions about its technical competence and financial management. Ontario Hydro's planners over-estimated demand growth for the 1990s. They were caught on the wrong foot when the Bank of Canada warned in 1988 it was aiming for zero-inflation even at the risk of serious recession.

The result is a glut of generating capacity expected to last through the year 2000, together with a 30 per cent three-year jump in electricity rates, caused partly by financing Darlington over a 14-year construction period without offsetting revenue.

Since 1989, during the worst recession since the 1930s, Ontario has seen power demand shrink from a 5 per cent annual average increase to an actual contraction. Far from buying more power from Ontario Hydro, industrial consumers such as Falconbridge, the world's second biggest nickel producer, and Chrysler Canada, with proportionately more output in Canada than Ford or General Motors, want to build co-generation plants to fill their own needs at lower cost.

"Hydro's been an excellent supplier for our mine and mill, helping us to save energy, but it's done a terrible job on prices and we can generate the power ourselves at lower cost," says Mr Warren Holmes, president of Falconbridge's Kidd Creek division.

Industrial users complain that the steep rise in rates is making the recession worse and robbing Ontario of one of its key economic advantages: low-cost energy to compensate for higher labour, construction and borrowing costs, higher taxes and a cold climate. Hydro, with assets of nearly C$50-bn, debt of about C$36bn and total system capacity of 33,000MW, says that Darlington's technical problems are over and all four reactors should be operating fully by summer – four years late.

Furthermore, moves to adapt operations to slow or zero load-growth are now being speeded up. Mr Maurice Strong, former business executive and organiser of the 1991 United Nations Earth Summit in Rio, took over as chairman late last year, just as the utility was caught in the eye of a political storm over its rates. Mr Strong admits Ontario Hydro is "in crisis", but says it is moving swiftly to put its financial house in order. "In a few years we could be looking back to 1992-93 as the key transition point."

A discussion paper will open the issues of privatisation and supply monopoly to public debate

The utility has scrapped its demand forecasts, cut capital spending and trimmed its manpower. It is working on an overall cost-cutting programme. Mr Strong promises that rate rises will be reined in to current inflation or less, and that ways will be found to ease the C$3.5bn annual interest burden. A C$3bn refurbishing of the Bruce A nuclear plant is being reviewed, and some fossil-fuelled capacity is being mothballed.

A C$13bn multi-year power purchase agreement with Manitoba Hydro has been cancelled – and with it a large Western hydro-electric project. The utility is trying to reduce its long-term uranium-fuel costs.

A discussion paper will soon open the issues of privatisation and supply monopoly to public debate. Britain's experience is being closely watched. But the present social-democratic Government says it is not ready to support privatisation. Private-sector co-generation projects, where surplus power would be sold to Ontario Hydro, have been frozen, while industry and municipal projects are considered.

For the first nine months of 1993, Ontario Hydro's revenues were C$5.59bn – up 7 per cent, mainly because of higher rates. Sales of electricity were stagnant. Operating costs rose modestly, but financing charges were sharply up. Final net profit was C$209m against C$121m.

The utility borrowed heavily in domestic and international markets in 1992, partly for refinancing at lower rates. Net new borrowing was about C$2bn (it will decline in 1993 to about C$1.4bn). With Darlington on full stream, and existing coal and oil-fired and hydro capacity, the nuclear component would meet 60 per cent of present demand.

Mr Allan Kupcis, the president, says that going ahead with 60 private power projects would only put upward pressure on rates, because of the heavy cost of closing equivalent Ontario Hydro capacity. "We must hold the line on current rates, and urgently rethink our cost structure. I mean a major culture change. We're working frantically to change direction."

He says the utility is suffering from the legacy of Darlington and poor timing on investments in new plant. "But surplus generating capacity, after providing the normal reserve, is about 2,000MW – quickly absorbed with new economic growth. I don't have any mega-projects in view."

Capital spending is now running at about C$2.5bn a year. The focus is turning to refurbishing and upgrading the transmission and distribution system.

Pickering nuclear generating station *Ontario Hydro*

'Reduce, re-use, recycle' are the watchwords

Green with controversy

WORKERS AT the Ontario environment ministry in Toronto are required to sort their litter into four separate containers. Three are for recyclable materials: newspapers, other kinds of paper and aluminium soft-drink cans. Whatever is left goes into the "normal" rubbish bin.

There is a snag. In the ministry's zeal to cut down disposable waste, the bin issued to each office is only the size of an indoor flower pot.

The "three R's" – reduce, re-use, recycle – are the driving forces of Ontario's environmental policies. The province has gained a reputation as one of the world's "greenest" jurisdictions.

Niagara Falls: Ontario has a reputation as one of the world's "greenest" jurisdictions *Picture: Ontario Government*

The environment ministry makes the educated guess that more than four in every five households in the province take part in a "blue box" programme in which newspapers, cans, plastic and other recyclable materials are separated from other garbage. What is more, about 20 per cent of homes have composters in their backyards for organic waste. The ministry claims that the province now recycles more than half its newsprint and wood wastes, 40 per cent of corrugated cardboard and a third of container glass.

The volume of garbage shipped to landfill sites is estimated to be between 20-25 per cent per person lower now than it was in 1987 (although it is not clear how much is caused by environmental awareness, how much by recession). Many programmes are voluntary and enforcement is still spotty, but the variety of carrots and sticks used to raise standards and tighten enforcement against polluters is steadily growing.

Penalties for environmental crimes are being stiffened. The head of an Ontario chemicals company was sentenced to an eight-month jail term last year. A fine of C$364,000 was levied on a man found guilty of illegally stockpiling scrap tyres.

Any company or government agency involved in an environmental assessment must pay the costs of outside "intervenors" who want to testify at a public hearing, including those opposing its application. Less formally, a group of private pilots volunteer, as part of their flying practice, to report obvious signs of pollution around the province – such as an unfamiliar plume of smoke or a dirty slick in a river.

But being in the vanguard of environmental policy inevitably brings controversy.

Toronto municipal leaders are furious at the NDP government's decision to veto the city's plans to transport its garbage by rail to a disused mine in a remote part of northern Ontario. Although the northern community enthusiastically supported the scheme, the province has decreed that municipalities must seek solutions to their garbage problems closer to home. A ban on solid-waste incineration by municipalities – the first of its kind in North America – has by no means found universal favour, either.

An Environmental Bill of Rights would increase public participation

The government has so far been more successful in forging a consensus for a pioneering Environmental Bill of Rights, which would greatly increase public participation in the review and enforcement of clean-up regulations.

According to Mr Peter Victor, a senior environment ministry official, the bill is designed to increase political accountability in environmental policy, with less emphasis on action through the courts. It will allow members of the public, including businesses, to request a review of government policies and regulations through an Environmental Commissioner, accountable to the provincial legislature. The public could also ask the commissioner to order an investigation of an alleged polluter.

The Bill of Rights would require the creation of a registry, probably accessible through a computer terminal, to notify the public of all significant environmental decisions, such as government permits and regulations. In addition, the bill would protect "whistle-blowing" employees who report environmental abuses within their companies or public agencies.

Three private-sector representatives have endorsed a task force report on the Bill of Rights. But the business community is withholding final judgment until it sees the details of empowering legislation, expected to be tabled this spring.

Mr Joe Couto, policy adviser to the Ontario Chamber of Commerce, says that the governing New Democrats have watered down some of the positions they advocated in opposition. "They have realised that the environment doesn't only belong to the environmentalists," Mr Couto says.

A cornerstone of the effort to reduce liquid-waste pollution is the Municipal and Industrial Strategy for Abatement (MISA). The first set of guidelines, whose chief aim is to reduce the toxic content of effluents, was put in force last year for the petroleum industry. Rules are now being drawn up for another eight industries.

Among other initiatives is a compulsory environmental self-audit by large companies and government agencies, including such places as hospitals and shopping malls. Regulations, which are expected to come into force within the next year or so, will require a biennial update of plans and targets to reduce pollution.

A ministry official says that ways to enforce the audits have not yet been determined. But participants will be required to keep their audits continuously displayed for employees – and on file for spot checks by government officials.

In general, Mr Victor says, the ministry tries "to encourage voluntary activity."

Bernard Simon

The arts dance onwards

Double decker glories

THEY SAY that Americans seeking a weekend's cultural refreshment go increasingly to Toronto rather than New York. It is not hard to see why.

There is a good feel to Toronto, purposeful without being pressured. The downtown streets and subway are clean and safe to walk of an evening – and a Toronto winter's night is generally more benign than Europeans imagine. There is nothing, then, to inhibit a visitor in search of the cultural life of the city.

Cats and *Miss Saigon* are both showing in Toronto. However, with some 40 other theatres and 140 professional theatre companies, Toronto is the capital – after New York and London – of English language theatre. On Yonge Street, close to record stores where Europeans greedily swallow up CDs for C$18 or less, theatregoers will discover a jewel: the Elgin and Winter Garden Theatres.

This complex is the last surviving example of the double-decker theatres which flourished in the heyday of vaudeville. Opened in 1913 the Winter Garden transported its audience into an English country garden, with trompe l'oeil paintings of stone walls, flowers and butterflies. After only 14 years the Winter Garden was shut up and forgotten while the Elgin became a sleazy cinema. Five years ago this last gasp of Edwardiana was restored at a cost of C$30m and reopened (telephone (416) 963-8571 for theatre bookings).

Down at the Harbourfront Centre on the shore of Lake Ontario, the Du Maurier Theatre is hosting a world drama festival. At the nearby Dance Centre, dance groups from all over the world are taking part in the CIBC Dance Season. Out of town, the noted Shaw Festival at Niagara-on-the-Lake, 40 years old this year, with three stages, is the largest repertory company in north America. This year's programme starts on April 21 and includes Shaw's *Saint Joan* and Coward's *Blithe Spirit* (telephone (416) 468-2172).

A sunset view of Toronto's financial centre is a memorable sight. The Toronto Dominion Centre was designed by Mies Van der Rohe and built after his death. The springing palm-tree vaults of Calatrava's Galeria at BCE Place, and a magnificent 1930s bank in Egypto-Celtic style, are other highlights. (To book an architectural walking tour, telephone (416) 922-7606.)

The Art Gallery of Ontario, designed by Barton Myers Architects, reopened last month and is now literally twice the place it was

The Royal Ontario Museum opened in 1914, is a place of enchantment, splendidly Victorian in its heterogeneity, with art and natural sciences under one roof. Perhaps its chief glory is the Chinese collection, one of the most magnificent in the world.

The fine arts scene is lively. At the Harbourfront, the Powerhouse gallery hosts travelling shows of Canadian and foreign artists. The Art Gallery of Ontario reopened last month; now literally twice the place it was. Designed by Barton Myers Architects Inc and built in association with the local partnership of Kuwabara, Payne, McKenna, Blumberg, the gallery is now one of the largest in north America.

Many Toronto visitors count discovery of the Group of Seven, the famous nationalistic movement in landscape painting founded in the 1920s, as one of the city's great resources. A half hour from Toronto in the wooded hills of the Humber Valley, the McMichael Canadian Art Collection is a shrine to these artists and their contemporaries.

In September, Toronto's Festival of Festivals is the best-attended film festival in the world. The city is also home to the Canadian Opera Company. Brian Dickie, its director, was formerly general administrator at *Glyndebourne*, and standards are high. Thus far without its own opera theatre, the company uses the enormous O'Keefe Centre – or the Elgin Theatre for more intimate works. The year's opera programme includes new productions of Smetana's *Bartered Bride* and Mozart's *Don Giovanni*. The Toronto Symphony Orchestra also uses the O'Keefe Centre. Telephone (416)-598-3375, or pick up "Now", Toronto's weekly free arts scene listings magazine.

Patricia Morison

Equities hold steady in nervous trade

By Terry Byland,
UK Stock Market Editor

SUDDEN FEARS that ICI will hit the stock market with its £1bn rights call this week, rather than waiting for completion of the planned demerger, dominated the UK equity sector yesterday. ICI shares fell heavily but failed to drag down the rest of the stock market which was helped by a £200m-plus trading programme from Smith New Court, weighted on the buy side and effectively the largest such deal seen in London for several months.

The setback in ICI, which took about 3.8 per cent off the share price, reflected growing worries over funding prospects for Zeneca, the proposed pharmaceuticals and high tech part of the planned demerger. Pharmaceutical stocks continued to fall yesterday in New York and on Continental European bourses as well as in London. A decision from ICI on fund-raising is likely on Thursday when it reports trading results.

The stock market moved nervously in narrow margins throughout the session, rallying towards the close as the trading programme, a portfolio of share trades by an institution via a marketmaking firm, passed across the trading screens. The final reading put the FT-SE index at 2,838.3 for a net loss of 1.7 points.

Seaq volume increased smartly at the close as traders caught the hint of the large programme trade, to record a final total of 553.2m shares against Friday's 532m. A sharp jump in non-FT-SE deals to around 65 per cent of the Seaq total confirmed that activity had increased in the second-liners where the unidentified investment institution appeared to be switching out of the cyclical sectors and into the defensive stocks.

Although the FT-SE Mid 250 Index was 0.7 off at 3,049.0, there were gains among utilities and food retailers, matched by falls in breweries and chemicals.

The steadiness of the market in the face of the fall in ICI was helped by the favourable outcome of the rights issues announced recently by Asda and Burton; Asda's £347m issue received 94 per cent acceptances and Burton's £163m a 90 per cent take-up. Traders believe that the stock market is prepared to further rights calls – even the large one predicted from ICI – but fund managers are likely to be hoarding cash balances in anticipation of such developments.

There was a strong performance from the bank sector where some analysts are hoping for better news on the domestic debt situation when National Westminster reports progress today. This optimism flowed over into the property sector which extended the recovery seen since the turn of the year.

The continued slippage in sterling was seen in the stock market as a further sign that the next base rate cut will come at the time of the UK Budget, now only weeks away. The concensus on equity prospects is that share prices will drift up towards FT-SE 2,900 although economic recovery in the UK may be "very weak", according to Mr Peter Thorne at Nikko.

The strategy team at Strauss Turnbull, noting that the equity market found support at just below FT-SE 2,800, said yesterday that the important corporate results now pending could provide evidence of the benefits for overseas earning companies of the devaluation of sterling since its departure from the the ERM network.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:	Feb 15	Mar 1	Mar 15
Option Declarations:	Feb 25	Mar 11	Mar 25
Last Dealings:	Feb 26	Mar 12	Mar 26
Account Day:	Mar 8	Mar 22	Apr 5

*New time dealings may take place from 8.30am two business days earlier.

Funding worry hits ICI

CONCERN over the threat of a huge rights issue sent ICI shares plunging yesterday morning and at first unsettled the rest of the stock market. Analysts predicted a turbulent few days ahead for ICI shares prior to the group's results meeting on Thursday where a decision has been promised over the fate of the proposed demerger.

Should the move get the go-ahead, the market believes it is likely to be accompanied by a cash-raising offer with speculation in the press that it could be a £1bn rights issue. There were other suggestions, including a bond issue, as a way of raising the money. Whatever the fund-raising route, ICI shares responded badly to the speculation. The shares slumped 42 to 1076p, although turnover was a moderate 3m.

NatWest strong

The best individual performance from a generally strong bank sector came from National Westminster (NatWest), scheduled to announce preliminary results this morning.

"The market is looking for some good news from NatWest," said one leading marketmaker.

NatWest shares closed 14 higher at 459p, a rise of 2.92 per cent, against a 1.8 per cent jump in the FT Actuaries Banks Index and a marginal decline in the Footsie 100 index. Turnover in NatWest was a hefty 5.9m shares, well above usual levels of activity.

The shares' outperformance came as the market finally disregarded recent suggestions of a heavy rights issue, and instead responded favourably to talk that fund raising via a convertible bond issue could be on the cards.

There was also a hint that the bank may well write back provisions previously made. Estimates of NetWest pre-tax profits ranged from £375m to £500m, against last year's £110m.

Other banks performed well, with renewed takeover speculation driving TSB up 5½ to 174p on 6.2m traded. Lloyds, one of the market's favourite to launch a takeover bid for TSB, rose 9 to 520p.

Barclays, due to announce preliminary numbers on March 4, added 7 to 449p. HSBC, helped again by a good showing by the Hong Kong market, rose 6 to 587p. Abbey National, still boosted by recent broker buy recommendations, climbed 8 to 385p.

Hammerson hints

The property sector perked up as bid talk was heard around Hammerson, sending the shares smartly forward. Fellow property concern British Land was said to be eyeing the group, with weekend press reports suggesting that an approach had been made through Hammerson's largest shareholder, Standard Life. This had been reportedly rebuffed, but analysts suggested that British Land may have only been temporarily put off.

There were other rumours that the focus on Hammerson may have revived US interest in the stock which surfaced in December and boosted the shares.

Mr Graham Stanley at NatWest Securities was sceptical over a British Land bid. "While Hammerson's net asset value is forecast to decline from £6.37 to £4.74 this year, and the shares might look cheap, the cash flow implications of the bid at this level have little appeal," he said. Hammerson A shares jumped 10 to 304p.

Elsewhere, Land Securities added 11 to 485p. UBS Phillips and Drew moved from a sell to a hold but retained its negative long-term stance on the stock. MEPC gained 7 to 377p.

Rights success

There was large turnover in Burton and Asda as the remainder of their rights issues were placed. The placing of the rump of the Asda issue was understood to have been done at 64p by broker Morgan Grenfell, followed by a 27m placing by Cazenove in Burton at 74p. Asda's issue was just over 94 per cent subscribed. Its 3-for-10 at 53p raised £347m. The shares closed one quarter of a penny off at 64p. Burton's received over 90 per cent acceptances for its 1-for-4 issue raising £163m. The shares lost 1¼ to 75½p.

Welsh Water's £56m acquisition of Acer Group, the engineering consultants, was well received by the market where Welsh Water shares rose 7 to 519p.

Other water stocks moved ahead strongly, responding, according to dealers, to some big buying via yesterday programme trade activity. Anglian jumped 9 to 519p, North West 5 to 497p, Thames 7 to 519p and Yorkshire 8 to 558p.

News of £131m-worth of losses from currency speculation carried out by Royal Dutch/Shell's 50 per cent owned Showa Shell Sekiyu associate, triggered a flurry of selling pressure in Shell stock which retreated to close 6 off at 575p. The selling took place during hectic dealings which saw 5.8m Shell traded. One analyst described the losses as "a major irritation but not a fundamental problem; the market didn't like this news one bit and it provided some of the sceptics with a good excuse to sell the stock and lock in good profits." BP, on the other hand, drew strength from the good performance of crude oil prices, the shares settling 4½ ahead at 270p. Specialists ascribed the rise in the share price to another bout of strong buying from US investors; "I wouldn't be surprised to see the US content of BP shares rising to 24 per cent in the very near future," said one analyst. Brent crude moved up over 30 cents a barrel to $18.60, the highest level since before the latest Opec meeting in Vienna. Detailed news on the make up of production cuts in said to be imminent.

Lasmo eased 3 to 176p with aggressive activity in the shares attributed to programme trade business rather than speculative business.

Continuing speculation that British Airways may soon be forced to have a rights issue weakened the shares and they gave up 4 to 284p.

Shares in Channel tunnel operator Eurotunnel were wanted and they moved 17 ahead to 497p, on hopes that its long running dispute with tunnel constructor TML may be nearing a settlement.

Pipes and fittings maker Victaulic was boosted by favourable weekend press comment. The shares closed 10 up at 364p. Demand was also seen for VSEL and the shares also moved 10 ahead to 600p.

Profit-taking halted the recent advance of GKN leaving the shares 5 lighter at 475p, while it was continued fears that a leading customer would soon announce a cancellation of orders that left TI Group 6 lighter at 291p. British Aerospace shed a penny to 261p, ahead of figures tomorrow. A loss of around £1bn is predicted for the year to December 1992.

Shares in engineering company Wheway, which last week became the subject of a £14.3m hostile bid from investment group McLeod Russel Holdings, hardened a penny to 10¼p, after it was revealed that McLeod had raised its stake in the bid target from 4 to 7 per cent.

A buy recommendation from NatWest Markets helped Vinten Group jump 23 to 354p.

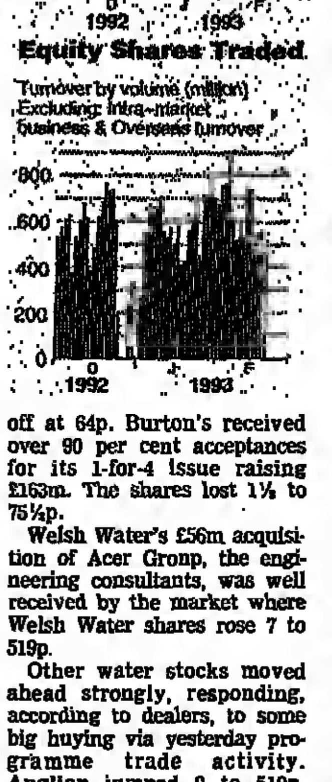
Hints of imminent news of an expected merger involving Union Discount saw the latter's shares move up 6 to 115p. Cater Allen, which already hold a disclosable stake in Unions, jumped 19 to 459p. Gerrard & National raced up 10 to 424p.

Royal Insurance attracted keen two-way interest, eventually settling 3¼ off at 287¼p ahead of Thursday's preliminary figures which are expected to reveal sharply reduced losses of around £115m and a dividend total of 5p. Insurance broker Sedgwick managed a minor gain at 170p in front of this morning's preliminary numbers which should see profits in the region of £55m, down from last time's £82.4m and a halved dividend.

The resignation of Mr Neil Redding, a director of Southern Business Group, following a newspaper article, saw the latter's shares slide 17 to 113p.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo,
Steve Thompson.

■ Other market statistics, Page 27.



NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (141).
BRITISH FUNDS (36) Tr. 15pc '96, Tr. 10pc '01, Tr. 14pc '98-01, Tr. 9pc '03, Tr. 10pc '03, 7r. 11½pc '01-04, Cv. 9½pc '04, Cv. 9½pc '05, Tr. 12½pc '03-05, Tr. 11¾pc '03-07, Tr. 8½pc '07, Do B, Tr. 13½pc '04-08, Tr. 9pc '08, Tr. 8pc '09, Cv. 9pc '11, Do C ...
WATER (6) Anglian, Severn Trent, Southern, Thames, Welsh, Yorks.. MINES (2) Antofagasta, Greenwich Res.
NEW LOWS (1).
MINES (1) Boulder Gold

FINANCIAL TIMES EQUITY INDICES

	Feb 22	Feb 19	Feb 18	Feb 17	Feb 16	Year ago	High	Low
Ordinary share	2198.0	2200.7	2197.2	2175.6	2171.3	1999.7	2226.1	1870.0
Ord. div. yield	4.42	4.40	4.39	4.36	4.37	4.60	5.34	4.23
Earning yld % full	5.94	5.92	5.91	5.94	5.94	6.63	-	-
P/E ratio net	21.46	21.55	21.57	21.50	21.48	18.88	22.01	15.79
P/E ratio nil	19.71	19.79	19.81	19.73	19.71	17.67	-	-
Gold Mines	93.3	93.5	93.5	96.2	91.9	126.6	160.6	60.0

*for 1992/93. Ordinary share index since compilation: high 2226.1 8/2/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.1 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2195.2	2201.3	2197.8	2198.3	2194.8	2196.9	2196.4	2198.5	2198.9	2202.1	2194.8

Volume	Feb 22	Feb 19	Feb 18	Feb 17	Feb 16	Year ago
SEAQ Bargains	27,865	26,899	29,426	27,869	30,227	28,078
Equity Turnover(£m)†	-	948.9	1460.4	1203.5	1231.3	662.5
Equity Bargains†	-	30,750	33,508	30,853	33,594	27,893
Shares traded (mil)†	-	476.7	576.0	559.5	549.5	352.4

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

Fears of a £1bn rights issue in the market together with a general lack of buying interest led to an exceptionally quiet day in the derivatives, writes Joel Kibazo.

In futures, the March contract on the FT-SE opened strongly at 2,838. An initial bout of buying took the contract to 2,846, which turned out to be the high of the day. But talk of a rights issue from ICI unsettled the futures and with the drying up of the earlier buying, March drifted lower. It fell to the day's low of 2,829 over the lunch time period.

A firm Wall Street helped the contract recover some of the earlier falls and March closed at 2,842, up 5 on Friday's close and at a premium to cash of about 8 points. Turnover was poor reaching only 4,888 contracts by the close.

The traded options sector was equally quiet and saw volume of only 20,781 lots. The business in the FT-SE 100 index accounted for 6,917 contracts with the March 2950 calls the busiest series. The Euro FT-SE 100 index was very dull with only 273 lots dealt by the close.

Among the stock options, trading in BTR was particularly heavy and volume rose to 3,162 contracts. The Majority of the trades were carried out in the August 600 calls in which 1,182 lots were dealt.

This was followed by Fisons with total volume of 1,445 contracts.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2838.3 -1.7	3049.0 +0.7	1388.90 -0.57

Hourly movements

FT-SE Actuaries 350 Industry Baskets

LONDON SHARE SERVICE

BRITISH FUNDS

OTHER FIXED INTEREST

Continued on next page

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or –	1992/93 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		16⅝xd	–⅛	20¼	14⅞	13,913	6.0
Allegheny & W.	♥	533p	+17	533p	226p	277.8	3.9
Amdahl		530p		1169p	436p	801.9	1.3
Amer Cyanamid		22¼	–1½	35⅝	28⅛	2,987	3.5
Amer Express		16¾xd	+⅛	17¼	10⅞	7,917	4.2
Amer T & T		36½xd	+⅞	38¾	20⅛	49,123	2.5
Ameritech		61⅞		62¼	32½	22,384	5.6
BankAmerica		35⅞xd	+1¼	37¼	19⅞	12,380	2.7
Bankers NY		45⅛xd	+⅛	46½	28⅝	3,782	4.7
Bell Atlantic		38	+⅞	38⅛	23⅛	16,480	4.7
BellSouth		37⅛	–⅛	38⅛	23	18,387	6.2
Bethlehem Steel	♥	11½xd	–⅛	13¼	5¼	1,080	–
Bowater		1370pxd	–76	1682p	805p	496.6	8.6
CPC	b	31xd	–⅛	34	22⅞	4,895	2.7
Cadiz Land Inc	♥	115p		342p	108p	–	–
California Engy		1418p		1429p	681p	259.2	–
Chase Manhattan		21¼xd	+⅞	22⅛	0⅛	3,265	3.0
Chrysler		25⅛xd	+⅛	28⅞	6¼	7,887	1.0
Citicorp		16xd	+⅛	16½	5⅞	6,579	–
Colgate-Palm		40⅞xd	+⅛	43⅞	25⅛	6,436	2.1
Com'l Bank		1591p	+35	1691p	490p	1,607	2.6
Dana		30⅝xd	–⅛	34½	14⅞	1,418	3.6
Data General		851p	+4	1004p	384p	234.8	–
Decora Inds	♥	146p		146p	66p	–	–
Dun & Brad		39⅝		40⅞	27⅞	7,015	4.0
Eaton		54⅞	–⅛	58⅞	32½	1,887	2.8
Echlin		17½xd	+⅛	18⅞	7⅞	1,003	2.8
FPL		26½xd	–⅛	27⅞	17½	4,695	8.4
Ford Motor		32⅛	–⅛	35½	13	15,690	2.1
Gen Elect		56½xd	–⅛	61⅛	36⅛	46,253	3.1
General Host	♥	679p		729p	380p	–	3.6
Gillette		37½xd	+⅛	49	23½	8,369	1.3
Hasbro		20⅞		23½	12⅞	1,815	0.8

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Net Asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

Net Asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- 5 Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
r Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd Uxbridge, Middx 8B8 1RZ 0895 259783

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	158.4	160.1	168.6	-1.30	0.00
AIB Grofund Equity	3	205.2	208.1	220.2	+0.40	3.53
AIB Grofund Euro	5	160.5	161.1	171.4	....	0.20
AIB Grofund Ext Balanced	3	101.9	103.9	107.1	...	2.15
AIB Grofund Gilt	3	77.19	77.19	79.56	+0.11	5.67
AIB Grofund Japan	5	133.5	136.0	142.1	+0.70	0.00

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corporation St, Coventry 0203 553231

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
General Inc	5	410.5	412.5	438.9	....	2.71
General Acc	5	447.0	449.2	477.9	....	2.71
UK Growth Acc	6	300.7	305.0	324.5	+0.1	3.02
US Growth Inc	6	215.5	218.6	232.6	-0.1	3.02
Higher Inc Acc	6	538.0	546.0	580.9	+1.1	4.17
Higher Inc Inc	6	331.9	336.8	358.3	+0.7	4.17
Gilts/Fxd Int Acc	5½	174.0	174.0	183.7	+0.4	6.53
Gilts/Fxd Int Inc	5½	93.73	93.73	99.00	+0.23	6.53
Nth America	6	252.9	258.5	275.0	-1.4	0.00
Far East	6	257.1	257.1	273.6	+2.0	0.29
Europe	6	215.8	215.8	229.6	+0.3	1.27
Brit Excell	6	62.25	62.23	66.23	-0.04	3.02
Brit Fndmtls Acc	6	82.15	82.15	87.40	+0.22	5.20
Brit Fndmtls Inc	6	64.48	64.50	68.60	+0.16	5.20
Global Opps	6	68.15	66.15	72.47	+0.17	0.12

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gilts & Fixed Int	6	129.8	129.8	137.6	+0.3	6.90
High Inc Equity	6	144.7	147.5	156.9	+0.1	5.42
Worldwide Bond	6	266.3	266.3	282.4	+0.8	4.43
American Growth	6	283.7	283.7	303.4	+0.3	.64

Britannia Life Unit Managers Ltd (1200)F
50 Bothwell Street, Glasgow G2 6HR 041-223 6020

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Growth	6	91.69	92.79	99.24	+0.09	2.39
Do (Accum)	6	100.11	101.31	108.35	+0.10	2.39
Smaller Cos	6	75.33	76.90	82.33	+0.15	1.81
Do (Accum)	6	81.45	83.24	89.02	+0.16	1.81
Higher Yield	6	36.80	36.80	39.35	-0.40	4.52
Do (Accum)	6	50.20	50.20	53.69	-0.54	4.52
American Gth Inc	6	56.01	56.18	60.09	+0.04	0.00
Do (Accum)	6	57.07	57.25	61.23	+0.04	0.00
European Growth	6	96.25	96.25	102.94	+0.86	1.78
Do (Accum)	6	97.14	97.14	103.90	+0.86	1.78
Global Bond Inc	6	29.54	29.00	31.40	-0.40	5.78
Do (Accum)	6	36.30	36.37	38.90	-0.02	5.78
Managed P'folio Inc	6	33.79	33.80	36.15	+0.03	1.54
(Do Accum)	6	33.79	33.89	36.25	+0.03	1.54
Pacific Growth Accum	6	88.08	89.02	95.20	+0.56	1.17
Intl Spec Opps Accum	6	82.92	84.07	89.91	+0.15	1.09

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412262

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd P'folio Inc	6	90.33	90.33	96.28	+0.04	2.16
Mngd P'folio Acc	6	170.5	170.5	181.6	+0.20	-
UK General	6	146.0	146.0	155.5	+0.30	3.26
Cem & General	6	19.45	19.45	20.81	+0.05	4.02
European Inc	6	22.53	22.53	24.27	-0.17	0.46
European Acc	6	23.27	23.27	25.07	-0.17	-
Financial	6	110.9	110.4	117.6	....	3.78
Foundation	6	71.54	73.21	77.97	+0.29	3.60
German	6	42.51	42.51	45.57	-0.14	0.09
Growth Inc	5	27.61	27.61	29.47	-0.04	3.14
Growth Acc	5	32.15	32.15	34.31	-0.05	-
High Income	6	70.44	71.73	76.74	+0.56	7.19
Income	6	121.3	123.5	132.1	+0.20	4.39
Intl Income	6	88.23	88.23	93.97	-0.37	5.13
Intl Growth	6	32.31	32.31	34.41	-0.01	0.23
Monthly Income	6	67.16	69.17	73.67	+0.05	4.37
North American	6	103.4	104.4	111.2	-1.00	0.20
Orient	6	100.8	100.8	108.4	+0.50	-
Recovery	6	36.25	36.83	39.60	+0.00	2.50
Smaller Cos Acc	6	246.9	263.4	280.6	+1.70	-
Smaller Cos Inc	6	144.7	154.3	164.5	+1.00	1.40

Brycourt Unit Tst Mgmt Ltd (1400)F
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 - 379 - 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

Sharp (Albert E.) & Co (1000)F
Agents 5 Rayleigh Rd Hutton Brentwood Essex
Enquiries 0277 227300 Dealing 0277 261010

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
European	5	108 40	109 10	114.80		1 40
Intl Bond & Conv	5	125 10	125 50	132 10	+0 10	5 47
Pooled Pension §	7	150 5	154 5	165 3		–
Smaller Cos	5	61 16	63 06	66 30	+0.79	1 97
UK General	5	115 00	116 90	123 10		2 78

Sheppards Unit Trust Mngmt Ltd (1200)F
1 White Hart Yard London Bridge SE1 071 407 5966

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income	5	384 13	384 13	408 65		5 00
Global Inc	5	37 84	57 84	61 53		5 00
Brit Leaders	5	113 58	113 50	333 6		3 96
Intl Leaders	5	184 11	184 11	195 86		3 07
P Au Unit Bal Gwth Inc ¶	3½	52 93	54 25	56 36	-0 11	3 01

Singer & Friedlander UT Mgmt Ltd (1000)F
PO Box 224, Beckenham, BR3 4TF 081-663 3003

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
European Trust	6	52.73	52 83	56 20	-0 01	1 38
Far Eastern Tst	6	56 52	57 25	60 91	+0 02	0 82
Smaller Cos	5	141 5	146 0xd	155 3	+0 6	2 13

Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St London W1A 3AS 071 637 5377

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
S & W American 4	5	266 6	267 2	282.7	-3 60	0 94
S & W Capital	5	114 5	114 5xd	122 8	-0 10	1.85
S & W Cash 4	0	102 65	102 45	102 45	+0 01	5.94
S & W European	5	115 0	115 1	121 7	-0 70	0 89
S & W Far Eastern	5	119 0	120 1	127 1	-1 70	0.15
S & W Growth	5	123 1	124 6xd	131 8		1.46
S & W Income	5	109 3	110 5	116 9	+0 20	5 00
S & W Magnum	5	121 9	121 9	130 3	-0 30	1 91
S & W Sectir Secs	5	298 5	304 7	322 4	-0 39	0 58
S & W Thoroughbred	5	149 7	140 7xd	151 0		1 68

Societe Generale Tauche Remnant (1200)F
Mermaid Hse, 2 Puddle Dock, EC4V 3A7 071-410 4029

Whittingdale Unit Tst Mgmt Ltd (0830)F
2 Honey Lane, London EC2V 8BT 071-600 0462

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Challenger	2¼	93 04	95 04	95 23	+0 14	0 00
Short Dtd Gilt	1¼	109 7	109 7	111 1	+0.30	4 47
U S Govmnt Bond	1¼	M 7111	0 7111	0.7204		0.00
Gilt Income	4	52 00	52 60	54 13	+0.26	8 00
Gilt Growth	4	65 43	65 43	68 10	+0.33	0 00
City Reserve	0	52 20	52 20	52 20	+0 01	6.29

Woolwich Unit Trust Managers Ltd (1700)H
1 White Oak Square, Swanley BR8 7AE 0705 388046

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stockmarket Fd F	3	65.09	65 29	69 45	-0 04	2 19

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Baring Investment Mngmt Ltd
155 Bishopsgate, London EC2M 3XY
071 214 1050 (general enquiries) 071 214 1004 (dealing)

James Capel Fund Managers Ltd

Acuma Life Assurance Ltd
The Glanty, Egham, Surrey

AEGON Life Assurance (UK) Ltd

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

	Bid Price	Offer Price	+ or -	Yield Grss
John Govett Management (IoM) Ltd				
Mt Govett Gen NAV Feb 12		$16 79		-
Paragon Fles Res Feb 1		£9 85	..	-
Paragon Stlg Res Feb 1		£11 33		-
Asian Wrt NAV Feb 18		$10 12		-
Govett Mgd Ftrs Feb 19	£13 65	14 93		-
Govett Mngd I Ues Feb 19	$9 03	10.53		-
Wer Horizon Inv Feb 18		$24 67		-
Wn Horizon Inv Wnts Feb 18		$6.87		-
Dfv Geared Bd Feb 12		$7 56		-
IBI Global Funds Limited				
Intl Stlg Gwth	£21.50	22 64		-
Intl $US Gwth	$18.04	19 00		-
High Income Gilt	£27.59	28 60		-
International Equity	£22.36	23 55		-
International Bond	£24 39	25.28		-
Managed Currency	£28 09	28 39		-
Sterling Currency	£26 80	27 08		-
US$ Currency	$37 88	38 27		-
Irish £ Currency	I£15 83	16.08		-
R & H Fund Managers Ltd				
LFM Sterling Fd	£11.20	11.77		-
R.F. Offshore Inc Fd Ltd	£12.54	13 08		-
IMG Offshore Fd	£10 00	10 82		-
Nelson Mides W/W S/S	£11.39	11 76		-

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd
PO Box 468 St Helier Jersey 0534 36633

	Bid Price	Offer Price	+ or -	Yield Grss
Lloyds Bank Trust Co (CI) Mngrs				
Uniformed World Inv Port	£2.621	2.753		1 21
Dealing Weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£10 14	10.19	+0 04	9.22
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Feb 18	$13.82	14.11		2.03
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income(z)	55.6	58.0		7.30
UK Equity Fd (z)	228 4	243 0	+0.01	2.63
*Intl Bond Fd	101 8	105.0		6 51
*Sterling Mngd Asset Fd.	554 5	584 0		4.57
*Sub day every Thurs				
NatWest TrustCor Currency Fund (z)				
Dollar Class		$38.3435	+0 0232	-
Sterling Class		£27.2421	+0 0057	-
D-Mark Class		DM84 7790	-0 0087	-
Japanese Yen Class		Y8003.2511	-0.1859	-
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Feb 10	$36.10	38.38		-
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Gwth Fd.	$3.7136	3.9215		-
Offshore Japanese Gwth Fd	$0.9607	1.0117		-
Offshore Am Gwth Fd	$6.5184	6.8964		-
Offshore Emerging Cos	$4.1446	4.3788		-
Offshore European Fd	$1.5757	1.6369		-
Offshore Global Bond	$0.9686	1.0298		-
Offshore Global Bond Acc	$0.9686	1.0298		-
Offshore Far Eastern Fd	$2.5102	2.6732		-
Offshore UK Growth Fd.	$2.0450	2.1442		-
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
NAV Feb 13		$4.30		-
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Yen hits new high against $

THE YEN reached a new high against the US dollar yesterday as investors continued to be heavy buyers of the Japanese currency, *writes Peter John*.

The risa highlights the dilemma facing the Japanese finance ministry. It needs to cut the country's trade surplus but fears that the high value of tha yen will hit Japan's export market and domestic economy in the middle of a recession.

Dealers said the yen reached Y116.10 in early London trading, fell back slightly as profit-takers moved in and then rose again as the New York market cootinued to buy it.

The gains are being fuelled by a belief that the Group of Seveo meeting of finance ministers and central bank governors on Saturday will endorse a stronger yen as a means to reducing Japan's trade surplus.

Publicly, Japanese finance officials have expressed concern at the speed of the yen's rise but there was a feeling in the foreign exchange markets that the commeots are principally a sop to hard-pressed exporters.

Mr Rob Loewy, the head of foreign exchange trading at Midland Global Markets, argued that Japan might be happy to see the Yen trading between Y115 and Y118 against the dollar.

Mr Neil MacKinnon of Citibank said he could see the dollar falling even further to reach Y105-Y110 but, he added: "Previously when there has been this sort of discussion (among Japanese officials) the ball-park figure was Y110-Y115.

"I suspect that the squeeze on profit margins plus tha downturn in Japan's export markets might mean that the acceptable pain barrier would be Y115 -Y120 and possibly as low as Y125."

The yen closed in London at Y116.36 against Y119.0. Its strength added to pressures on some European curreocies.

The arrest of two Fiat executives yesterday in connection with Italy's political bribery scandal and following hard oo the heels of two government resignations saw the lira sold down to 967.1 against the D-Mark from 959.2.

In spite of efforts by Spain's central bank to prop up the peseta, It tumbled to Pta73.0 against the D-Mark from Pta71.7.

The fall revived fears that Spain might have to devalua or quit the ERM. Observers said the country was likely to raise ioterest rates first but tbere was scepticism about Spain's ability to sustain high rates.

The Bank of Portugal also intervened to support its currency but the escudo buying failed to preveot it sliding some 50 basis points in sympathy with the peseta to close 92.13 against the D-Mark.

The franc fell to Ffr3.392 from FFr3.385, with some talk of intervention. However, the country's currency reserves rose by FFr13.09bn in January to FFr101.05bn leaving the currency more secure against any speculative attacks.

Away from the ERM, sterling was steady, firming to $1.4550 from $1.4530 but easing to DM2.3700 from DM2.3775.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Feb 22	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Irish Punt	0.809996	0.794929	-1.86	2.20	67
Portuguese Escudo	180.624	177.930	-1.49	1.82	25
Spanish Peseta	142.150	140.522	-1.15	1.46	20
Dutch Guilder	2.20045	2.18100	-0.88	1.19	25
Belgian Franc	40.2802	39.9256	-0.88	1.19	25
D-Mark	1.95294	1.93741	-0.80	1.10	25
Danish Krone	7.44934	7.43389	-0.21	0.51	-7
French Franc	6.54988	6.56954	0.30	0.00	-37

Ecu central rates set by the European Commission. Currencies are in descending relative strength. [illegible]

£ IN NEW YORK

[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

Feb 22	£	$
Korea(Sth)	1149.05 - 1167.55	793.80 - 800.00
Kuwait	0.44680 - 0.44780	0.30730 - 0.30760
Luxembourg	48.90 - 49.00	33.60 - 33.70
Malaysia	3.8190 - 3.8290	2.6280 - 2.6290
Mexico	4.4965 - 4.5000	3.0925 - 3.0950
N Zealand	2.8025 - 2.8060	1.9275 - 1.9300
Saudi Ar.	5.4460 - 5.4575	3.7495 - 3.7505
Singapore	2.3815 - 2.3875	1.6405 - 1.6415
S Af (Cm)	4.5405 - 4.5510	3.1225 - 3.1275
S Af (Fn)	6.5765 - 6.5865	4.5230 - 4.5300
Taiwan	37.65 - 37.80	25.90 - 26.00
U.A.E.	5.3330 - 5.3450	3.6715 - 3.6735

*Floating rate. Iran Official rate £98.50 $66.30

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

Feb 22	£	$	DM	YEN	F Fr.	S Fr.	N Fl.	Lira
£	1	1.455	2.370	169.2	8.040	2.182	2.665	[illegible]
$	0.687	1	1.629	116.3	5.526	1.500	1.832	[illegible]
DM	0.422	0.614	1	71.39	3.392	0.921	1.124	[illegible]
YEN	5.910	0.599	14.01	1000.	47.52	12.90	15.75	[illegible]
F Fr.	1.244	1.810	2.948	210.4	10.	2.714	3.315	[illegible]
S Fr.	0.458	0.667	1.086	77.54	3.685	1	1.221	[illegible]
N Fl.	0.375	0.546	0.889	63.49	3.017	0.819	1	[illegible]
Lira	0.436	0.635	1.034	73.82	3.508	0.952	1.163	[illegible]
C$	0.544	0.792	1.290	92.11	4.377	1.188	1.451	[illegible]
B Fr.	2.043	2.972	4.842	345.7	16.42	4.458	5.444	[illegible]
Pta	0.578	0.841	1.370	97.80	4.647	1.261	1.540	[illegible]
Ecu	0.816	1.188	1.935	138.1	6.563	1.781	2.176	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

PARIS

[illegible]

POUND - DOLLAR

[illegible]

BASE LENDING RATES

[illegible]

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

MONEY MARKETS

French futures falter

RENEWED tension within the European exchange rate mechanism prompted a sharp fall in French franc futures yesterday as dealers struggled to maintain D-Mark parity, *writes Peter John*.

In the Matif, the Pibor contract for March delivery pluoged 32 points from the open to end the day at 88.49 on heavy turnover of nearly 14,600 cootracts. The fall indicated a quarter-point rise in tbree month money to 11.5 per cent ahead of the country's general election on March 17.

There was an element of correctioo after firmnese last week hut there was also a new wave of ERM jitters prompted hy the Bank of Spain's intervention to support the peseta.

UK clearing bank base lending rate 6 per cent January 26, 1993

Nevertbeless, the market is convinced that Paris will cut rates following the election and the June contract remained steady yasterday, easing only two basis points to 91.08 on turnover of 20,650 contracts.

Euromark futures traded within a tight range with the March contract settling slightly easier at 91.93 and June marginally firmer at 91.97.

Away from the ERM uncertainty, short sterling was firm with March nudging ahead by 3 basis points to 94.05 and June adding four points at 94.65.

There was also relief among UK interhank dealers as concerns that the liquidity sbortage would be around £1bn provad unfounded and the Bank of England hegan the day with a forecast shortage of only £450m.

Among the main factors affecting the positioo were the take-up of Treasury bills and paper maturing in official hands which was set to remove £347m from the system. Bills for repurchase by the market were expected to take out £1.343bn and bankers' balances below target £35m. Partly offsetting this, exchequer transactions were set to add £535m and a fall in note circulation £745m.

The Bank of England did not offer early assistance hut provided £280m at midday, buying band one bank bills at the estahlished 5⅞ per cent rate.

By the afternoon, the forecast shortage was revised to around £550m and the Bank bought a further £270m of bills.

The Bank also announced a weekly rollover rate of 6⅛ per cent on a temporary facility it first made available last September to aid liquidity after currency upheavals.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

LEGAL NOTICE

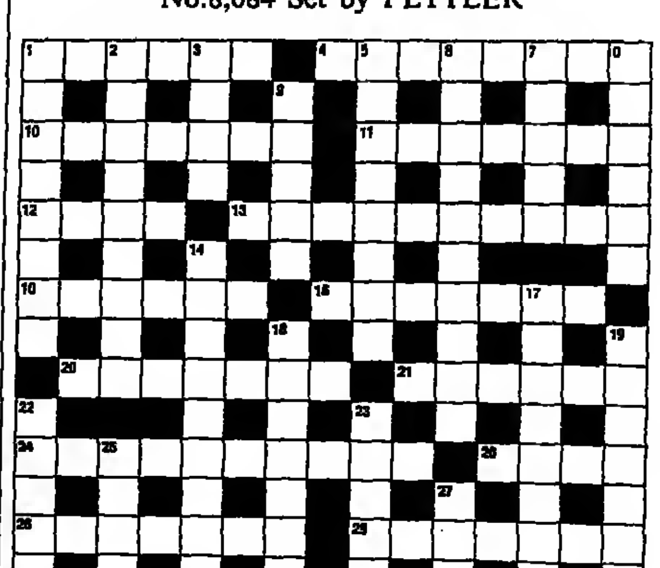
Registered in England and Wales

LODESTAR (ENGINEERS TO INDUSTRY) LIMITED

[illegible]

CROSSWORD

No.8,084 Set by FETTLER



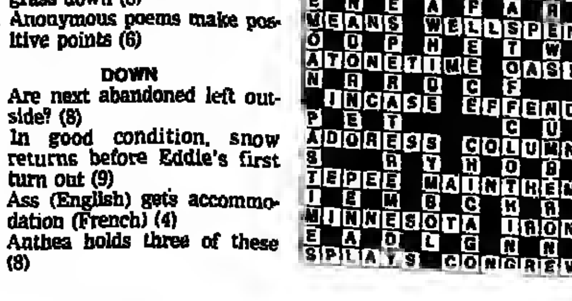
ACROSS

1 The last of these combine to come forth (6)
4 Bill ambled in anyhow (8)
10 The support that moving letters give (7)
11 Local Athenian's opening a guest-house (7)
12 The liturgy sounds correct (4)
13 Goes round after time in the big top (10)
15 Take the top off nutty fruit (6)
16 A way to cook sea-salmon (4-3)
20 Touching meeting place for the excisemen (7)
21 Cuts notch on board (6)
24 Excitable Poles soon seen as rational (2-8)
26 In being covered, it's finished (4)
28 Marks in charge in India (7)
29 Experience of the Thunder God (7)
30 Free-ranging gander, goer (not half). He will keep the grass down (8)
31 Anonymous poems make positive points (6)

DOWN

1 Are next abandoned left outside? (8)
2 In good condition, snow returns before Eddie's first turn out (9)
3 Ass (English) gets accommodation (French) (4)
5 Anthea holds three of these (8)
6 Deep loving is harmonious and expanding (10)
7 Fermented beer, given time, goes to the head (5)
8 In passing, please change (6)
9 Dug up material (5)
14 Converted RC having a tenable place of worship (10)
17 Improved place of concealment – in the long grass (9)
18 Near mute, perhaps, but is able to do sums (8)
19 What loan-shark is providing us with – original promises to pay (8)
22 Threatening childless conclusion (6)
23 Is Susanna Hilkias' offspring? (5)
25 Drain is broken at the lowest point (5)
27 Here's a desperate need for a garden (4)

Solution to Puzzle No.8,083



WORLD STOCK MARKETS

AUSTRIA | FRANCE (continued) | GERMANY (continued) | NETHERLANDS | SWEDEN (continued) | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | ITALY | NORWAY | SPAIN | SWITZERLAND | SOUTH AFRICA | SWEDEN | JAPAN | AUSTRALIA (continued) | HONG KONG | AUSTRALIA | MALAYSIA | SINGAPORE

[illegible]

CANADA

TORONTO

4 pm close February 22

Quotations in cents unless marked $

[illegible]

MONTREAL

4 pm close February 22

[illegible]

INDICES

NEW YORK DOW JONES

STANDARD AND POOR'S

[illegible]

NEW YORK ACTIVE STOCKS

TRADING ACTIVITY

CANADA TORONTO

[illegible]

*Saturday February 20: Taiwan Weighted Price 4,055.65, Korea Comp Ex. 652.87

▼ Subject to official recalculation.

Base values of all indices are 100 except: Austria Traded, 583.20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall = 1,000, JSE Gold - 255.7, JSE 20 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday, 22nd February, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Npn Steel Corp	8.5m	296	-2	Isuzu Motor	2.2m	354	-18
Sumitomo Mt Ind	5.8m	284	+3	Toshiba Corp	2.0m	690	-15
Kawasaki Steel	4.4m	293	+4	Komatsu	1.8m	641	-22
Shizuoka Bank	3.8m	1,280	-30	Nippon Comsys	1.7m	851	+13
Nagase & Co	3.2m	889	-6	Odakyu Elec Rl	1.7m	703	-12

4 pm close February 22

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992/93 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
28	20¾	Bay St Gas x	1.38	5.2	18	75	26⅝	26¼	26⅝	+⅛
25¾	21⅜	Bd Tr 1836	2.20	9.1		39	24⅛	24	24⅛	+⅛
18¼	13½	Bear Strns x	0.60	3.7	8	2156	16⅝	16¼	16⅝	+¼
49	43⅞	BearStPfA	3.03	6.5		3	48	48	48½	+½
23¼	16¾	Bearings x	0.64	3.1	193	32	21¼	20⅞	20⅞	-½
25¼	11⅜	Beckman In x	0.36	1.6	14	927	20	22⅝	22⅝	-⅝
84⅛	64⅝	Becton Dks	0.86	0.8	13	3788	71⅜	69	70	-1¾
37¼	25½	Belding Hv	0.64	2.1	22	12	31	31	31	+¼
55¼	40¼	Bell Atlan	2.60	4.6	17	4480	u56¾	54⅞	56¼	+1⅛

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

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Continued on next page

NYSE COMPOSITE PRICES

1992/93 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng. Prev. Close
Continued from previous page										
22⅝	14⅞	Ruddick	0.24	1.1	18	19	21⅝	21⅜	21½	+⅛
37	18	RussBerrie	0.70	2.8	5	452	25⅜	24¾	24¾	-⅞
40⅜	27¾	Russell Cp	0.36	1.1	18	338	33⅛	32⅝	32⅞	-⅜
32¼	19⅝	Ryder Syst	0.60	2.0	21	1669	30½	30⅛	30¼	+⅛
26	18	Ryland Grp	0.60	3.0	12	411	20½	20	20	-¼
- S -										
21	18⅞	S Anita Rl	1.36	6.7	28	230	20¼	20	20¼	+⅛
20⅝	13⅛	SCOR US Cp	0.28	1.4	16	18	20¼	20½	20⅛	-⅛
29½	19	SPS Techno	1.28	5.5	18	143	23⅝	23¼	23¼	-⅝
15⅛	12⅛	Sabine Rlt x	1.25	9.4	10	34	13⅝	13⅛	13¼	
11⅞	7⅝	Safecard	0.16	1.0	13	93	10⅜	10¼	10¼	-¼
23½	11⅞	Safeg'd Sc			10	30	20⅛	20	20	-½
32¼	20	SafetyKln	0.36	1.8	25	3113	20⅞	d20	20⅛	-⅞
20¼	9⅝	Safeway			14	1687	12⅝	11⅞	11⅝	-⅞
4⅝	2	SafewayW96				24	2⅜	2¼	2¼	-⅛
41⅞	29⅞	StJoePaper	0.20	0.5	43	37	38⅝	38¼	38¼	-⅛
35¾	28⅞	StJosL&P	1.76	4.9	19	63	u36	35⅞	35⅞	+⅛
83¼	66½	St Paul's	2.80	3.7	19	3057	79⅞	78	78⅜	-3¼
18	2⅞	Salant Crp			8	78	9⅜	9¼	9⅜	+⅛
76	45½	Sallie Mae x	1.20	2.6	11	10685	47¼	46¼	46⅞	+1.96
14⅜	13	Salomon Br	0.81	4.4		507	13¾	13⅝	13¾	
41⅞	26¾	Salomonlnc	0.64	1.6	8	2544	40½	39¾	40¼	+⅝
28	21¼	SanDgo G&E	1.44	5.4	14	551	u26½	25⅞	26½	+½
4⅞	2⅝	SantaFeEDu	0.48	9.7	48	5	4⅛	4	4⅛	+⅛
[illegible]										

NASDAQ NATIONAL MARKET

3:45 pm February 22

[illegible]

AMEX COMPOSITE PRICES

3:45 pm February 22

[illegible]

AMERICA

Biotechnology sell-off hits OTC market

Wall Street

BIG BOARD equity prices held steady yesterday morning as the market retained its end-of-week calm, but a sell-off in biotechnology stocks depressed the over-the-counter market, *writes Karen Zagor in New York.*

At 1 pm, the Dow Jones Industrial Average was 5.14 higher at 3,327.32. The more broadly based Standard & Poor's 500 was up 0.04 at 434.26, while the Amex composite was down 2.55 at 399.83, and the Nasdaq composite tumbled 7.98 to 655.63. Trading volume on the NYSE was 172m shares by 1 pm, and declines narrowly outnumbered rises by 908 to 893.

On Friday, the Dow firmed 19.99 to close at 3,322.18 after a week which had seen wild fluctuations following President Bill Clinton's first budget plan.

In NYSE trading, the pharmaceutical sector saw heavy trading. Merck slid $1/8 to $36⅝. On Friday, an advisory committee of the Food and Drug Administration recommended a broader indication for use of Merck's Vasotec ACE inhibitor.

A number of other drug company stocks hit 52-week lows yesterday morning in active trading, including Bristol-Myers Squibb, which fell $1 to $53⅝, Johnson & Johnson, down $2⅝ to $38⅝, and Pfizer, $⅞ lower at $53⅝.

Among bank stocks, Mellon Bank firmed $2⅛ to $57⅝ after the brokers, Alex Brown, started coverage of the stock with a "strong buy" rating, reflecting the company's potential for growth. Shares in Ann Taylor, the specialty US retailer, firmed $⅞ to $20⅞ after the company reduced its fourth quarter loss to 5 cents a share, including one-time charges, compared with a deficit of 27 cents a year earlier.

J.C. Penney rose $2⅛ to $75¼ after an analyst at Bear Stearns upgraded his rating on the stock to "buy" from "hold". The analyst expects J.C. Penney to gain market share as a low priced mall operator following Sears, Roebuck's decision to get out of the catalogue business.

Among other retailers, Sears slid $¼ to $53⅛, Wal-Mart eased $⅜ to $61¼ and Woolworth added $⅞ to $27⅝.

In Nasdaq trading, traders became nervous after Synergen posted disappointing research data on its Antril sepsis drug. A number of analysts downgraded ratings on the Colorado-based drug developer after Synergen said that the results did not match earlier trials.

The stock plunged $28¼ to $14, significantly below its previous 52-week low of $31¼.

The Synergen sell-off drove other Nasdaq biotech issues lower in very heavy trading, with Amgen dropping $2⅝ to $42⅝, a 52-week low, Chiron down $4⅛ to $46¼ and US Healthcare falling $5⅛ to $38.

Canada

TORONTO was underpinned by continued gains in banking shares and other blue chip companies following last week's cuts in domestic prime lending rates.

The TSE-300 index added 22.4 to 3,448.91 at midday in light turnover of C$142m.

Expectations of good first quarter earnings at several banks which are due to report later in the week also helped the sector. Royal Bank of Canada edged up C$⅛ to C$25⅞ while the Toronto-Dominion Bank rose C$¼ to C$15⅞ and the Bank of Montreal climbed C$¼ to C$43⅞.

SOUTH AFRICA

JOHANNESBURG lost some of last week's gains as overseas institutions took profits. The overall and industrial indices both lost 25, to 3,463 and 4,512 respectively. The gold index shed 12 to 1,014. Vaal Reefs lost R2.50 to R182.

EUROPE

Astra surprises with 2.7% fall after results

PHARMACEUTICAL stocks came under renewed pressure yesterday, partly on worries over US proposals to regulate prices, *writes Our Markets Staff.*

STOCKHOLM went negative on Astra, even although the pharmaceutical group reported better than expected 1992 results, and the B shares lost SKr19 to SKr675 in high turnover. Mr Peter Tron, senior manager at Unibank in London, commented that some investors may have taken account of the significantly large contribution that foreign exchange gains made to the figures, while others may have been *disappointed* at the absence of a scrip issue and ignored the 60 per cent rise in earnings per share.

The Affärsvärlden general index was up 3.50 to 996.00 at the close but, in post-close trading in London, further selling of Astra left the Swedish component of the FT-SE Eurotrack 100 down 21.45 at 943.60.

ZURICH was also undermined by some heavy selling of pharmaceutical stocks, particularly by US investors. The SMI index dipped 11.5 to 2,095.3.

Registered shares in Ciba-Geigy, SFr16 lower at SFr614, led the downtrend, followed by *Roche certificates, which shed* SFr80 to SFr4,010.

Conversely, a firm bond market and a new round of cuts in cash bond rates gave some support to banks and insurers. CS Holding rose SFr10 to SFr1,140 and UBS bearers added SFr2 to SFr943.

FRANKFURT extended last week's themes as business slowed with the start of the carnival season. Weakness in carmakers and strength in banks almost cancelled each other out, and the DAX index rose just 3.35 to 1,680.74 in turnover down from DM9.4bn to DM5.4bn.

Bearish car registration and production data issued late last week left Volkswagen DM8 lower at DM370.80, Daimler off DM6.20 at DM604.80 and BMW down DM9.20 at DM503.80. Banks reflected rising interest rate optimism as the Bundesbank's average bond yield fell 10 basis points to 6.60 per cent;

FT-SE Actuaries Share Indices								THE EUROPEAN SERIES
February 22								
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1135.90	1137.04	1135.67	1135.76	1135.68	1134.63	1132.44	1112.76
FT-SE Eurotrack 200	1194.07	1193.46	1191.98	1190.15	1192.25	1190.65	1190.65	1190.84
	Feb 19	Feb 18	Feb 17	Feb 16	Feb 15			
FT-SE Eurotrack 100	1136.60	1132.95	1121.77	1123.14	1132.97			
FT-SE Eurotrack 200	1191.09	1191.03	1173.51	1179.84	1184.15			

Base value 1000 (26/10/90) Highday: 100 - 1136.92; 200 - 1194.82 Lowday: 100 - 1131.87 200 - 1187.11

Deutsche Bank led with a gain of DM12 to DM697.

PARIS opened the new account broadly positive as last week's hopes of lower European interest rates, given encouragement by good German economic data on Friday, spurred further buying. The CAC-40 index closed up 22.00 at 1,959.23, but off the day's high of 1,967.14 in turnover of some FFr2.5bn.

Profit-taking in Rhône-Poulenc, on its first day in the index, left the shares off FFr2 at FFr564 after a high of FFr578 while Elf and Total saw respective gains of FFr7.80 and FFr3.90 to FFr369.80 and FFr247.90 following a meeting between the two companies and the Kuwaiti oil minister last week.

MILAN was dealt an early body blow by news that two Fiat executives had been arrested as part of Italy's ever-widening political bribery scandal.

The market had begun positively on hopes that Prime Minister Giuliano Amato's weekend cabinet reshuffle would do something to restore damaged credibility. But the news of the latest arrests brought another attack of nerves before some bargain hunting later in the day restored a firmer trend to other sectors. The Comit index ended 1.67 lower at 501.93.

Fiat shares fixed L30 lower at L5,350 and fell back to L5,200 in *after-hours trading.* Other shares in the group were similarly hard hit, with Toro Assicurazioni down L340 lire to L26,000. The financial holding company, Ifi, firmed L5 to fix at L11,205 before dipping to L10,850 after hours.

AMSTERDAM, which sees results from Unilever today followed by Akzo and Royal Dutch later in the week, remained resilient with a 0.4 gain in the CBS Tendency index to 100.1.

Boressmij Wehry, the trading group, picked up Fl 5.00 to Fl 63.50 following 1992 results much exceeded some analysts expectations. Financials were strong with ING up Fl 1.80 ot Fl 64.40.

OSLO moved ahead to close near an eight-month high, helped by weaker interest rates. The all-share index rose 5.17 to 406.92 in turnover of NKr445.6m.

Norsk Hydro fell NKr0.5 to NKr163.5 as it cut the 1992 dividend and attributed sharply higher 1992 net income to a change in its accounting practices.

COPENHAGEN liked the central bank's one-point cut in discount and key deposit rates, and the KFX index rose 0.37 to 84.25. Bikuben, the country's third biggest bank, moved against the trend with a drop of DKr2 to DKr199 on a DKr1.2bn net loss for 1992.

VIENNA expressed its enthusiasm for interest rate prospects as the ATX index climbed 19.1, or 2.3 per cent to 837.12. Interest rate-sensitive, insurance companies and banks have been a strong influence over the past four weeks but, yesterday, building stocks led the market with Universale up Sch50 to Sch910 and Strabag – one of the best performers this year – Sch70 better at Sch1,370.

ISTANBUL put on 4.7 per cent, the market index ending 266.59 higher at 5,922.35 with demand boosted mainly by new deposit rate reductions by state and private banks.

ASIA PACIFIC

Nikkei loses ground amid worries on export outlook

Tokyo

A SURGE in the yen triggered fears over lower profits at leading exporters and, as the dollar fell to an all-time low, the Nikkei average lost ground on selling of export-oriented stocks, *writes Emiko Terazono in Tokyo.*

The Nikkei closed down 189.42 at the day's low of 16,820.61. The index peaked at 17,058.69 on index-linked buying during the morning session, but subsided as the dollar fell below Y117.

Volume fell to 200m shares against 221m. Losers led gainers by 687 to 236 with 200 unchanged, the Topix index of all first section stocks lost 10.15 to 1,283.91 and, in London, the ISE/Nikkei 50 index fell 0.56 to 1,204.90.

The dollar finally closed at Y116.85 against the yen, Y2.38 down since last Friday. Comments by Mr Lloyd Bentsen, the US treasury secretary, that a higher yen was desirable added fuel to buying of the yen, which has been active during the past two weeks on speculation that the Group of Seven finance ministers will agree on a concerted move to revalue the Japanese currency.

Mr Robert Feldman, an economist at Salomon Brothers, said that the yen's rise would have a neutral effect on the economy, and predicted that it would move to the Y115 level.

Among leading exporters, Toshiba fell Y15 to Y660 and NEC Y22 to Y610. Toyota Motor lost Y30 to Y1,340 and Honda Motor Y20 to Y1,270.

However, electric utilities, beneficiaries of a higher yen due to their dependency on oil imports, gained ground. Tokyo Electric Power advanced Y20 to Y2,590 and Chubu Electric Power rose Y60 to Y2,490.

Showa Shell Sekiyu, an affiliate of Royal Dutch Shell, came under heavy selling after its announcement of a Y125bn loss stemming from a failure in foreign exchange.

The issue failed to trade due to the lack of buyers and closed at an offered price of Y1,200, down by its daily limit of Y300.

Foreign and domestic investors bought Nippon Telegraph and Telephone, which rose Y10,000 to Y619,000 on hopes that the company will put its rates up.

In Osaka, the OSE average fell 92.25 to 18,293.29 in volume of 70.3m shares.

Nintendo, the video game maker, fell Y300 to Y10,100 on fears of lower profits due to the higher yen.

Roundup

POLITICAL considerations held the key to trading in a number of Pacific Rim markets.

HONG KONG benefited from reports of progress towards new Sino-British talks on the colony's plans for political reform and the Hang Seng index rose 61.79 to 6,231.88. Turnover, *however, was only* HK$2.9bn, well below last week's robust daily average of nearly HK$4bn.

Trading was dominated by the debut of the so-called "China-concept" share Denway Investment. Denway, issued at HK$1.22, rose to HK$2.70 in early trade before slipping back to close at HK$2.20, well below market expectations.

Jardine Matheson, a laggard since a thinly veiled attack on the company by China's official media in December, continued a week-long rally to finish up HK$1.75 at HK$51.

AUSTRALIAN shares closed near their highs as the futures market inspired solid gains. The All Ordinaries index closed 10.2 higher at 1,604.9 in turnover of A$306.36m.

Encouraging results and growing signs that the coalition will win the federal election helped lift the mood.

Pancontinental Mining was heavily traded as Degussa, the German chemical group, sold its stake for A$21.1m. The shares finished 2 cents lower at 95 cents.

SINGAPORE was mostly firm ahead of this Friday's national budget with trade driven by Malaysian speculative issues.

The Straits Times Industrial index was 0.83 ahead at 1,639.67 in volume of 129.52m shares.

KUALA LUMPUR closed higher on strong speculative buying that took the composite index 6.16 higher to 635.59.

Dunlop Estates rose 36 cents to M$7.80, Magnum added 70 cents to M$10.40 and Multi-Purpose gained 26 cents to M$2.44.

TAIWAN saw sharp advances among financials shares amid expectations that the big three banks would issue big stock dividends next fiscal year.

The weighted index finished 42.79 ahead at a six-month high of 4,098.44. Turnover rose to T$61.5bn, the heaviest since last June.

SEOUL got active institutional support ahead of Thursday's presidential inauguration and the composite index rose 22.64 to 674.71.

BANGKOK fell in thin trade, worried about the outlook for finance companies after First City Investment told the government last week it had run out of cash to repay debts, and was being investigated by authorities. The SET index dropped 17.18 to 945.62.

BOMBAY trod water ahead of Saturday's national budget but there was selective buying, and the BSE index closed 36.97 higher at 2,708.34.

US and German influences in conflict

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1993	Start of 1993	Start of 1993
Austria	+2.18	+9.54	-20.30	+5.09	+7.90	+3.55
Belgium	-0.02	+3.49	+2.10	+7.51	+10.52	+6.06
Denmark	-0.32	+1.38	-18.54	+10.49	+15.45	+10.80
Finland	+0.13	+12.68	+5.25	+12.58	+4.33	+0.13
France	+1.71	+8.61	+2.11	+5.68	+9.81	+5.38
Germany	+0.98	+6.08	-4.01	+9.33	+12.77	+8.23
Ireland	+0.28	+4.91	-12.19	+5.68	+1.33	-2.75
Italy	+2.28	+5.75	+1.83	+15.40	+12.90	+8.35
Netherlands	+0.60	+5.02	+5.86	+6.17	+9.30	+4.90
Norway	-2.58	+0.09	-7.16	+3.26	+7.25	+2.92
Spain	-1.80	+1.18	-7.97	+10.52	+12.51	+7.98
Sweden	+1.06	+8.07	+19.41	+5.54	+2.96	-1.20
Switzerland	-0.68	+1.37	+18.53	+2.38	+3.67	-0.51
UK	+0.12	+2.51	+13.32	+0.75	+0.75	-3.32
EUROPE	+0.46	+4.01	+6.05	+4.54	+5.84	+1.58
Australia	-0.72	+4.64	-3.37	+2.44	+6.83	+2.53
Hong Kong	+5.50	+4.30	+25.72	+11.53	+16.35	+11.66
Japan	+0.42	+2.98	-13.05	-1.05	+8.08	+3.73
Malaysia	-0.74	+4.75	+9.26	+3.33	+7.18	+2.88
New Zealand	-0.81	+6.27	+3.05	+3.11	+7.93	+3.59
Singapore	+0.88	+3.17	-0.18	+3.14	+7.23	+2.92
Canada	-0.38	+4.11	-5.84	+1.48	+7.00	+2.69
USA	-2.43	-0.69	+6.41	-0.49	+3.69	-0.49
Mexico	-6.27	-12.42	-10.90	-11.40	-6.90	-10.65
South Africa	0.00	+2.45	-5.59	+7.07	+20.03	+15.19
WORLD INDEX	-0.80	+1.61	+0.22	+0.89	+5.73	+1.48

† Based on February 19th 1993. Copyright, The Financial Times Limited, Goldman, Sachs & Co.,and NatWest Securities Limited.

By John Pitt

TWO main elements influenced the direction of the world's senior equity markets last week: President Bill Clinton's plans for the US economy, and surprisingly good money supply data from Germany. In aggregate, they produced a decline in the FT-Actuaries World index in local currency terms; but if one excludes the US, the index shows a modest rise.

US equity markets tumbled on Tuesday, after Mr Clinton'e television appearance the night before in which he revealed his proposals to increase taxes, with a loss of more than 80 points in the Dow, leaving it some 4 per cent below an all-time high seen just two weeks before.

It is uncertain how much of the economic and budgetary proposals will get through debate in Congress. However, Mr Richard Davidson, European equity strategist at Morgan Stanley, comments that the current proposals favour European bonds rather than equities, owing to the broadly negative effect the Clinton plan will have on economic growth.

This theory was supported last week by rising prices in the US bond market, which the president himself, as a politician rather than an economist, interpreted as a positive sign for his planned tax increases.

Germany continned to power ahead last week, although some of the reasons suggested for this rally began to indicate misguided optimism rather than sound investment strategy. The general consensus among European analysts is that the rise in the DAX has been driven by technical factors with little, if any, thought given to fundamentals. At the beginning of the year, they say, many fund managere, facing an underweight position in German equities, started to buy the liquid blne chips such as Daimler, Siemens and Allianz.

But, as some analysts warn, price strength in, for instance, Daimler is not borne out by earnings prospects for 1993 or, indeed, 1994.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY FEBRUARY 19 1993								THURSDAY FEBRUARY 18 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	128.28	-0.8	130.89	96.58	109.11	123.95	-1.0	3.97	129.32	132.64	97.73	109.83	125.15	153.68	108.18	144.98
Austria (18)	145.18	+0.6	148.09	109.27	123.44	123.37	+0.0	1.82	144.22	147.92	108.99	122.48	123.40	186.70	131.16	184.98
Belgium (42)	141.31	+0.3	144.18	106.38	120.18	117.44	+0.3	5.14	140.84	144.46	106.43	119.61	117.05	152.27	131.19	138.29
Canada (113)	118.75	+0.8	121.17	89.40	101.00	108.05	+0.6	3.05	117.81	120.83	89.02	100.04	107.44	142.12	111.38	134.68
Denmark (33)	206.23	+0.0	210.42	155.26	175.40	175.51	+0.1	1.56	206.17	211.46	155.80	175.09	175.25	273.94	181.70	248.22
Finland (23)	69.70	+2.0	71.12	52.48	59.29	86.02	+1.6	1.68	68.33	70.09	51.84	58.03	84.68	89.80	52.84	87.01
France (98)	155.10	+0.8	158.26	116.76	131.61	134.79	+0.6	3.33	154.33	158.29	116.62	131.05	133.93	168.75	136.93	153.39
Germany (62)	112.60	+0.1	114.89	84.78	95.77	95.77	+0.3	2.38	112.47	115.36	85.00	95.51	95.51	129.69	101.59	117.66
Hong Kong (55)	247.39	-0.7	252.43	186.25	210.43	245.60	-0.6	3.68	249.06	255.45	188.21	211.52	247.20	262.28	176.36	196.57
Ireland (16)	132.04	+0.3	134.73	99.41	112.30	124.57	+0.5	4.26	131.68	135.06	99.51	111.83	123.99	173.71	122.98	162.57
Italy (75)	59.45	-1.3	60.66	44.75	50.66	69.68	-0.4	2.97	60.21	61.75	45.50	51.13	66.99	80.86	47.47	75.03
Japan (472)	108.95	+0.5	111.16	82.02	92.68	82.02	+0.1	1.01	108.45	111.24	81.86	92.12	81.86	140.95	87.27	118.53
Malaysia (69)	268.88	+0.5	274.46	202.50	228.78	272.14	+0.4	2.46	267.68	274.55	202.28	227.32	270.95	282.42	212.49	249.58
Mexico (18)	1472.36	-1.1	1502.34	1108.47	1252.32	4980.73	-1.1	1.20	1489.14	1527.35	1125.34	1264.86	5036.67	1789.77	1185.84	1694.11
Netherland (25)	158.82	+0.4	162.05	119.57	135.09	133.45	+0.5	4.28	158.15	162.22	119.52	134.32	132.79	169.70	147.88	150.04
New Zealand (13)	44.43	-1.1	45.33	33.45	37.79	45.69	-1.2	4.79	44.92	46.07	33.95	38.15	46.24	48.62	37.38	46.12
Norway (22)	141.73	+0.4	144.62	106.70	120.55	133.51	+0.1	1.87	141.21	144.83	106.71	119.92	133.35	192.95	128.05	163.46
Singapore (38)	219.58	-0.3	224.06	165.31	186.76	166.36	-0.1	1.98	220.20	225.84	166.40	187.00	166.57	229.63	179.88	221.51
South Africa (60)	170.60	+2.5	174.07	128.43	145.10	168.26	+0.2	3.01	166.41	170.68	125.76	141.32	167.97	263.60	134.21	221.23
Spain (47)	125.92	-0.3	128.48	94.80	107.10	111.85	-0.2	5.44	126.26	129.50	95.41	107.22	112.06	181.72	107.10	153.75
Sweden (36)	163.57	+0.9	166.90	123.15	139.13	182.95	+1.0	2.15	162.18	166.35	122.57	137.74	181.16	200.28	149.69	174.67
Switzerland (56)	112.43	-0.4	114.72	84.65	95.64	105.11	-0.5	2.03	112.91	115.80	85.33	95.90	106.63	122.37	86.99	98.91
United Kingdom (226)	166.64	+0.8	170.04	125.44	141.72	170.04	+0.1	4.33	165.60	169.85	125.15	140.62	169.85	200.07	161.86	177.23
USA (522)	177.23	+0.5	180.84	133.43	150.75	177.23	+0.5	2.85	176.29	180.82	133.23	149.73	176.29	183.74	160.92	167.87
Europe (779)	138.16	+0.3	140.97	104.01	117.51	130.52	+0.2	3.59	137.72	141.20	104.06	116.97	130.26	156.88	131.31	144.51
Nordic (114)	151.16	+0.7	154.25	113.81	128.56	145.70	+0.8	1.66	150.11	153.96	113.44	127.48	147.57	168.52	141.24	173.60
Pacific Basin (715)	114.15	+0.3	116.48	85.94	97.10	88.29	+0.0	1.35	113.79	116.71	85.99	96.64	88.30	141.97	93.70	122.00
Euro - Pacific (1494)	123.85	+0.3	126.38	93.24	105.34	105.02	+0.1	2.37	123.46	126.63	93.29	104.84	104.94	145.21	113.80	131.27
North America (635)	173.69	+0.5	177.18	130.70	147.65	172.53	+0.5	2.66	172.66	177.09	130.49	146.66	171.62	179.56	158.70	165.79
Europe Ex. UK (553)	120.27	+0.1	122.72	90.57	102.32	108.49	+0.2	3.09	120.15	123.23	90.82	102.06	108.23	132.98	111.36	124.51
Pacific Ex. Japan (243)	165.26	-0.5	168.63	124.44	140.58	153.10	-0.6	3.50	166.15	170.41	125.58	141.12	153.99	175.31	140.06	156.29
World Ex. US (1685)	125.01	+0.4	127.66	94.12	106.33	107.02	+0.1	2.39	124.57	127.78	94.14	105.79	106.93	146.91	115.99	133.37
World Ex. UK (1981)	139.27	+0.4	142.10	104.86	118.46	124.86	+0.3	2.39	138.71	142.27	104.83	117.81	124.20	150.58	127.21	140.84
World Ex. So. Af. (2147)	141.55	+0.4	144.44	106.58	120.41	128.18	+0.3	2.58	140.98	144.60	106.55	119.74	127.83	153.05	130.04	143.53
World Ex. Japan (1735)	160.29	+0.4	163.55	120.68	136.35	155.74	+0.3	3.13	159.62	163.72	120.64	135.58	155.21	165.40	151.93	158.81
The World Index (2207)	141.88	+0.4	144.84	105.65	120.49	128.55	+0.3	2.58	141.86	144.87	106.60	119.80	128.21	153.70	130.66	144.01

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